BILL NO. S-83-03-28

SPECIAL ORDINANCE NO. S-62-83

AN ORDINANCE AUTHORIZING THE ISSUANCE OF $2,365,000 ECONOMIC DEVELOPMENT FIRST MORTGAGE REVENUE BONDS OF THE CITY OF FORT WAYNE, INDIANA, IN ORDER TO ASSIST HEALTH CARE FUND IN THE FINANCING OF COSTS OF NEW COMMERCIAL FACILITIES; AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS; PROVIDING FOR THE PLEDGE OF REVENUES FOR THE PAYMENT OF SAID BONDS; AUTHORIZING A LOAN AGREEMENT WITH RESPECT TO THE PROCEEDS DERIVED FROM THE SALE OF SAID BONDS; AUTHORIZING A TRUST INDENTURE APPROPRIATE FOR THE PROTECTION AND DISPOSITION OF SUCH REVENUES AND FURTHER TO SECURE THE PAYMENT OF SAID BONDS; AND AUTHORIZING THE ASSIGNMENT BY THE CITY OF A NOTE, MORTGAGE, LOAN AGREEMENT AND ASSIGNMENT OF LEASE FROM HEALTH CARE FUND.

WHEREAS, the CITY OF FORT WAYNE, INDIANA (hereinafter called the "Issuer") is by virtue of the laws of the State of Indiana, including IC 36-7-12 (the "Act"), and other authorities mentioned therein, authorized and empowered, among other things, (a) to issue revenue bonds in order to assist in the financing of costs of economic development facilities located within the boundaries of the Issuer, (b) to enter into an agreement with the user of such facilities providing for revenues sufficient to pay the principal of and interest and any premium on such revenue bonds, (c) to secure such revenue bonds by a trust agreement between the Issuer and a corporate trustee, and by a pledge and assignment of such revenues, as provided for herein, and (d) to enact this Bond Legislation and enter into the Indenture and the Loan Agreement, as hereinafter identified, upon the terms and conditions provided therein; and

WHEREAS, HEALTH CARE FUND is a business trust duly organized and existing under and by virtue of the laws of the State of Ohio and qualified to do business in the State of Indiana; and

WHEREAS, it is hereby determined by this Legislative Authority that the acquisition, construction, installation and equipment of the Project by the Company, as hereinafter defined, including the financing thereof will require the issuance, sale and delivery of Project Bonds in the principal amount of $2,365,000, and hereafter may require the Issuer's issuance, sale and delivery of Additional Bonds on a parity therewith, all of which Bonds shall be equally and ratably payable and secured as provided herein and in the Indenture authorized herein;

NOW THEREFORE, BE IT ORDAINED by the Common Council of the City of Fort Wayne, Indiana:

Section 1. Definitions. In addition to the words and terms elsewhere defined in this Bond Legislation or in the Agreement and used herein as defined words and terms, the following words and terms as used in this Bond Legislation and

in the Indenture authorized herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Act" means IC 36-7-12-1 to 36-7-12-37, inclusive, as enacted and amended.

"Additional Bonds" means Bonds issued pursuant to Section 8 of this Bond Legislation.

"Agreement" means the Loan Agreement, provided for in Section 11 hereof, between the Issuer and the Company, dated as of April 1, 1983, as the same may be duly amended, modified or supplemented in accordance with the provisions thereof.

"Assignment" means the Assignment of Mortgage and Security Agreement of even date herewith from the Issuer to the Trustee and shall also mean the Issuer assignment to the Trustee of the Company's assignment of the Lease.

"Bonds" means the Project Bonds and any Additional Bonds issued and to be issued pursuant to the Indenture.

"Bond Fund" means the Bond Fund created by Section 7 hereof.

"Bond Fund Payment" means as to the Project Bonds an amount equal to the interest accrued on the Project Bonds from their date to the date of their delivery to the Original Purchaser and payment therefor and as to the Additional Bonds the amount specified in the Bond Legislation authorizing such Additional Bonds, provided that the Bond Fund Payment for any Additional Bonds shall not be less than an amount equal to the interest accrued on such Additional Bonds from their date to the date of delivery of such Additional Bonds to their Original Purchaser and payment therefor.

"Bondholder" or "holder" or "holder of Bonds" means any person who is the bearer of a coupon Bond which is not registered as to principal or the principal of which is registered to bearer, or the person in whose name a registered Bond is registered, and "holder" when used with reference to a coupon means the bearer of the coupon.

"Bond Legislation" means this ordinance authorizing the Project Bonds, except that when used with reference to an issue of Additional Bonds it shall mean this Bond Legislation to the extent applicable and the other legislation providing for the issuance of such Additional Bonds, and except that when used with reference to Bonds when Additional Bonds are outstanding it shall mean this Bond Legislation and the Bond Legislation providing for the issuance of Additional Bonds, all as the same may from time to time be lawfully amended, modified or supplemented.

"Bond service charges" for any time period means the principal, including any mandatory sinking fund requirements, interest, and redemption premium, if any, required to be paid by the Issuer on the Bonds for such time period.

"Code" means the Internal Revenue Code of 1954, as amended, and with respect to a specific section thereof such reference shall be deemed to include (i) the regulations promulgated under such section, (ii) any successor provision of similar import hereafter enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, and (iv) the regulations promulgated under the provisions described in (ii) and (iii).

"Company" means Health Care Fund, an unincorporated Ohio business trust operating as a real estate investment trust pursuant to Sections 856 to 860, inclusive, of the Code and its successors and assigns including any surviving, resulting or transferee entity as provided in Section 6.3 of the Agreement.

"Construction Fund" means the Construction Fund created by Section 6 hereof.

"Coupon" or "interest coupon" means a coupon issued hereunder evidencing an installment of interest on a coupon Bond.

"Coupon bond registered as to principal" means any coupon Bond at the time registered as to principal in the name of the Bondholder.

"Determination of Taxability" means the final adoption of legislation or regulations or a final determination, decision, decree, ruling or technical advice by any judicial or administrative authority or by the Internal Revenue Service as a result of the limitations prescribed by Section 103(b) of the Code having been exceeded, any of which has the effect of requiring interest on the Bonds to be included in the gross income for Federal income tax purposes of the holder or registered owner of the Bonds (other than a holder or registered owner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 103(b)(13) of the Code). A decision or ruling by any judicial or administrative authority shall not be considered final for the purposes of this definition until the expiration or waiver of all periods for judicial review or appeal, as the case may be, in which review or appeal the Company has participated or has had an opportunity to participate. Such determination shall be deemed to have occurred upon receipt by the Trustee of evidence thereof.

"Eligible Investments" means (i) obligations issued or guaranteed by the United States of America, or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to the authority granted by Congress, the payment of the principal and interest of which is fully and unconditionally guaranteed by the United States of America; (ii) obligations issued or guaranteed by any state or political subdivision thereof rated A or higher by Moody's Investors Service, Inc. or by Standard & Poor's Corporation, both of New York, New York, or their successors; (iii) open market commercial or finance paper of any corporation having a net worth in excess of $100,000,000 and which is rated either P-1 or A-1 or an equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation, both of New York, New York, or their successors; (iv) investments due within 12 months in certificates of deposit issued by, or bankers' acceptances of, the Trustee, or of banks, savings banks, savings and loan associations or trust companies organized under the laws of the United States of America or any state thereof, which must have a reported capital and surplus of at least $20,000,000 in dollars of the United States of America; (v) regular savings accounts of bank or trust companies, including the Trustee, or of savings and loan or building and loan associations, organized under the laws of the United States of America or of the State, which institution has a reported capital and surplus of at least $20,000,000 in dollars of the United States of America; provided, however, that at no time shall any sum in excess of $5,000 be invested in any savings account; (vi) repurchase agreements, including the Trustee's, fully secured by obligations of the type specified in (i) above; and (vii)

regulated money market funds invested in United States government obligations; provided that any such investment or deposit is not prohibited by law.

"Event of Taxability" means the occurrence of circumstances which a Determination of Taxability shall have found to have occurred, or which shall constitute a Determination of Taxability, and which result in the interest payable on the Bonds becoming includable in the gross income for Federal income tax purposes of the holder or registered owner of the Bonds (other than a holder or registered owner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 103(b)(13) of the Code), such occurrence of circumstances relating to a specific point in time.

"Executive" means the Mayor of the Legislative Authority of the Issuer.

"Fiscal Officer" means the Clerk of the Legislative Authority of the Issuer.

"Indenture" means the Trust Indenture, provided for in Section 11 hereof, between the Issuer and the Trustee, dated as of April 1, 1983, including this Bond Legislation as part thereof, as the same may be amended, modified or supplemented in accordance with the provisions thereof.

"Interest Payment Date" means, as to the Project Bonds, the first day of each April and September and, as to Additional Bonds, the date or dates identified as such in the Bond Legislation authorizing such Additional Bonds.

"Lease" means the lease agreement to be executed between the Company and the Lessee pursuant to which the Project will be leased for operation by the Lessee, which Lease shall be subordinate to the Mortgage.

"Legislative Authority" means the Common Council of the Issuer.

"Lessee" means ______________________________ (which individuals propose to enter into the Lease with the Company), and any other lessee of the Company or any subsequent assignee of the initial Lessee.

"Loan" means the loan by the Issuer to the Company of the proceeds from the sale of the Project Bonds to the Original Purchaser, after deducting the Bond Fund Payment, as the same may hereafter be increased from the proceeds from the sale of Additional Bonds.

"Loan Payments" means the amounts required to be paid by the provisions of Section 2.1 of the Agreement, as the same may hereafter be amended or supplemented, in repayment of the Loan.

"Mandatory Redemption Date" means April 1 of the years 1996 and 1997, and as to any Additional Bonds, the date or dates specified in the applicable Bond Legislation on which such Additional Bonds are to be retired pursuant to mandatory sinking fund requirements. As appropriate, the maturity date denoting a particular series of Project Bonds shall be used in conjunction with the term "Mandatory Redemption Date".

"Mandatory sinking fund requirements" means amounts required by any Bond Legislation to be deposited in the Bond

Fund for the purpose of retiring, on a specified date, principal maturities of Bonds which by their terms are due and payable, if not called for prior redemption, at a subsequent date.

"Mortgage" means the Mortgage and Security Agreement pertaining to the Project Site and the Project from the Company, as mortgagor, to the Issuer, as mortgagee and secured party, of even date herewith and any amendment and supplements thereto.

"Note or "Notes" means the Promissory Note of even date herewith constituting an unconditional promise of the Company to repay the Loan to the Issuer, and in the form of Note attached as Exhibit A to the Agreement, and any additional promissory Note or Notes executed and delivered with respect to Additional Bonds.

"Notice Address" means:

(a) As to the Lender:

City of Fort Wayne, Indiana
City County Building
Fort Wayne, Indiana 46802
Attention: Mayor

(b) As to the Company

Health Care Fund
1865 North McCullough Street
Lima, Ohio 45802
Attention: Bruce G. Thompson, President

(c) As to the Trustee:

St. Joseph Bank and Trust Company
202 South Michigan
P.O. Box 6
South Bend, Indiana 46624
Attention: Corporate Trust Department

or such different address notice of which is given under Section 9.04 hereof, but no such notice shall thereby be required to be sent to more than two addresses.

"Original Purchaser" means, as to the Project Bonds, Traub and Company, Inc. and, as to Additional Bonds, the person or persons identified as such in the Bond Legislation providing for the issuance of such Additional Bonds.

"Outstanding Bonds" or "Bonds outstanding" or "outstanding" as applied to Bonds, means, as of any date, all Bonds which have been authenticated and delivered, or are then being delivered, by the Trustee under the Indenture except:

(a) Bonds surrendered for and replaced upon exchange or transfer, or cancelled because of payment or redemption, at or prior to such date;

(b) Bonds for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited prior to such date with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), or which are deemed to have been paid and discharged pursuant to the provisions of Section 8.02 of the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice

of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which others have been authenticated (or payment, when due, of which is made without replacement) under Section 2.05 of the Indenture;

and also except that

(d) For the purpose of determining whether the holders of the requisite principal amount of Bonds have made or concurred in any notice, request, demand, direction, consent, approval, order, waiver, acceptance, appointment or other instrument or communication under or pursuant to this Indenture, Bonds owned by or for the account of the Company or any person owned, controlled by, under common control with or controlling the Company shall be disregarded and deemed to be not outstanding. The term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Beneficial ownership of 5% or more of a class of securities having general voting power to elect a majority of the board of directors of a corporation shall be conclusive evidence of control of such corporation.

"Paying Agents" means any banks or trust companies designated as the paying agencies or places of payment for Bonds or coupons by or pursuant to the applicable Bond Legislation, and their successors designated pursuant to the Indenture.

"Permitted Encumbrances" means as of any particular time, (i) liens for real estate taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights of way, flood rights, leases, restrictions and exceptions that an Engineer and the Company certify will not interfere with or impair the operations being conducted in the Project, or which are fully insured over, (iii) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not, in the opinion of legal counsel acceptable to the Trustee, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Company, (iv) the Mortgage, and (v) the Lease.

"Person", whether or not appearing with initial capitalization, means natural persons, firms, associations, corporations and public bodies.

"Pledged Receipts" means (a) the Loan Payments, including the payments of principal of and interest and any premium on the Note, (b) subject to the provisions of Sections 3.04 and 8.02 of the Indenture with respect to the Trustee holding moneys for the benefit of the holders of particular Bonds, all other moneys received by the Issuer, or the Trustee for the account of the Issuer, pursuant to the Agreement or in respect to the Loan, (c) the proceeds of the Bonds including all moneys deposited in the Construction Fund and (d) the

income and profit from the investment of the Loan Payments, any other moneys held by the Trustee under the Indenture, and the moneys deposited in the Construction Fund.

"Project" means the real, personal, or real and personal property, including undivided or other interests therein, identified in Exhibit B to the Agreement, in or pursuant to any amendments to the Agreement, and in the certificate of the Project Supervisor given pursuant to Section 3.3 of the Agreement, and acquired, constructed or installed in replacement or substitution therefor or in addition thereto, and as may result from a revision of the Plans and Specifications (as defined in the Agreement) in accordance with the provisions of the Agreement.

"Project Bonds" means the Bonds authorized in Section 3 hereof and designated "Economic Development First Mortgage Revenue Bonds (Health Care Fund Project)".

"Project Purposes" means the purposes of a commercial facility as described in the Act.

"Project Site" means the real estate constituting the site of and a part of the Project, which real estate is described in Exhibit C to the Agreement.

"Registered Bonds" means Bonds registered in the name of the holder, including coupon Bonds registered as to principal (except to bearer).

"State" means the State of Indiana.

"Trustee" means the Trustee at the time serving under the Indenture, originally St. Joseph Bank and Trust Company, South Bend, Indiana, as Trustee, and any successor Trustee as determined or designated under or pursuant to the Indenture.

Any reference herein to the Issuer, to the Legislative Authority, or to any officers thereof, shall include any entity which succeeds to its or their functions, duties or responsibilities pursuant to or by operation of law. Any reference to a section or provision of the Indiana Constitution or the Act or to a section, provision or chapter of the Indiana Code shall include such section or provision or chapter as from time to time amended, modified, revised, supplemented, or superseded; provided, however, that no such change in the Constitution or laws (a) shall alter the obligation to pay the Bond service charges in the amounts and manner, at the times, and from the sources provided in the Bond Legislation and the Indenture, except as otherwise herein permitted or (b) shall be deemed applicable by reason of this provision if such change would in any way constitute an impairment of the rights of the Issuer or the Company under the Agreement or the Indenture.

Unless the context shall otherwise indicate, words importing the singular number shall include the plural number, and vice versa, and the terms "hereof", "hereby", "hereto", "hereunder", and similar terms, mean this Bond Legislation and the Indenture.

Section 2. Determinations of Legislative Authority. The Legislative Authority hereby determines:

(a) That the real and personal property to be acquired by the Company by purchase, construction, installation and equipment, through a Loan of the proceeds of the Bonds, is now and after improvement will be useful to

the Project and Project Site (consisting generally of a commercial facility), and the utilization of such property in the creation and location of the Project is economically sound; and

(b) that the Project is an "economic development facility" as that term is defined in Section 36-7-12-2 of the Act, complies with the purposes of the Act and will be of benefit to the health and welfare of the Issuer by creating jobs and employment opportunities and promoting the economic development of the Issuer.

Section 3. Authorization and Terms of Project Bonds. It is hereby determined to be necessary to, and the Issuer shall, issue, sell and deliver, as provided and authorized herein and pursuant to the authority of the Act, $2,365,000 aggregate principal amount of Project Bonds for the purpose of making a loan to assist the Company in the financing of costs of acquiring, constructing, installing and equipping the Project and the Project Site to be owned by the Company and used by the Company for the Project Purposes, including costs incidental thereto and to the financing thereof. Said Project Bonds shall be designated "Economic Development First Mortgage Revenue Bonds (Health Care Fund Project)". The Issuer may also issue, sell and deliver Additional Bonds on a parity with the Project Bonds for the purposes and in the manner provided in Section 8 of this Bond Legislation.

The Project Bonds shall initially be issued in coupon form and shall be exchangeable for registered or coupon Bonds in the manner and on the terms provided in the Indenture. Project Bonds in coupon form shall be in the denomination of $5,000 each, shall be registrable as to principal, shall be dated as of April 1, 1983 and shall be numbered from 1 upwards.

The Project Bonds shall bear interest from their respective dates at the rates per annum indicated in the schedule below, payable semiannually on April 1 and September 1 of each year, commencing September 1, 1983. The Project Bonds shall mature in accordance with the schedule below.

In the event the Company exercises its option to prepay the Loan as provided in Section 8.2 of the Agreement, the Project Bonds are subject to extraordinary optional redemption by the Issuer prior to stated maturity at any time in whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. Notice from the Company to the Trustee pursuant to Section 8.4 of the Agreement that the Company shall exercise its option to prepay the Loan pursuant to Section 8.2 of the Agreement and shall concurrently prepay the Note (or, as provided in said Section 8.4, selection of a prepayment date by the Trustee), shall constitute the direction from the Issuer to the Trustee to call all the then outstanding Project Bonds for extraordinary optional redemption pursuant to this paragraph, and no separate notice from the Issuer to the Trustee shall be required.

In the event that the Lessee exercises its option to purchase the Project (excluding any assumption, but including any installment purchase in connection with any assumption) as provided in the Lease, the Project Bonds are subject to special mandatory redemption at prepayment prices determined in accordance with the optional redemption price table hereinafter set forth, plus in each case accrued interest to the date of redemption; provided, however, that if the Lessee makes an installment purchase, such redemption shall be made only to the extent that the partial payment of the installment purchase

price exceeds the amount of the funds contributed to the Project or to costs of the issuance of the Project Bonds by the Company from sources other than the Loan.

The Project Bonds are also subject to special mandatory redemption by the Issuer prior to stated maturity at any time in whole at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date if and when (i) the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Agreement by reason of any changes in the Constitution of the State or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or Federal) or any final decree, judgment or order of any court or administrative body (whether state or Federal) entered after the contest thereof by the Issuer or the Company in good faith to such extent that the Note and the obligations evidenced thereby are no longer enforceable by the holder thereof, or (ii) interest on the Project Bonds shall have become subject to Federal income tax because of a Determination of Taxability which is unrelated to any default by the Company under Section 6.8 of the Agreement. In the event that interest on the Project Bonds becomes subject to Federal income tax because of a Determination of Taxability as a result of a default by the Company under Section 6.8 of the Agreement, the Project Bonds shall be subject to special mandatory redemption by the Issuer prior to stated maturity at any time in whole at a redemption price of 105% of the principal amount thereof plus accrued interest to the redemption date. The redemption price payable with respect to a redemption resulting from a Determination of Taxability shall be increased by an amount equal to 1-1/2% of the principal amount of all Project Bonds then outstanding for each six-month period, or any part thereof, from the date of the Event of Taxability to the date of redemption. With respect to Project Bonds not outstanding on the date of the Determination of Taxability, but which were outstanding on the date of the Event of Taxability, the redemption price shall be increased by an amount equal to 1-1/2% of the principal amount of each of such Project Bonds for each six-month period, or any part thereof, elapsed between the date of the Event of Taxability and the date that such Project Bond was paid or redeemed. Any such redemption shall be made not more than 180 days following the effective date of any such constitutional amendment, legislation, administrative action or final decree, judgment or order, or following the date of the Determination of Taxability (excluding any final determination that interest is subject to Federal income tax with respect to any Bond held by a "substantial user" of the Project or by a "related person" thereof, as those terms are used in Section 103(b)(13) of the Code). Notice from the Company to the Trustee pursuant to Section 8.4 of the Agreement that the Company shall prepay the Loan in full as required under Section 8.3 of the Agreement and shall concurrently prepay the Note, shall constitute the direction from the Issuer to the Trustee to call all the then outstanding Project Bonds for special mandatory redemption pursuant to this paragraph, and no separate notice from the Issuer to the Trustee shall be required.

The Bonds maturing on April 1, 1998 are also subject to mandatory redemption by the Issuer, pursuant to the mandatory sinking fund requirements provided in Section 7 hereof, on each Mandatory Redemption Date at a price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

The Bonds are also subject to optional redemption in whole or in part by the Issuer at the direction of the Company at any time on or after April 1, 1988, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amounts thereof) set forth below, plus accrued interest to the redemption date:

Maturity Year	Principal Amount Maturing April 1	Interest Rates	Optional Redemption Price Commencing April 1 in Year Shown
1988	$ 65,000	9.00%	103.0%
1989	70,000	9.50%	102.5%
1990	75,000	9.75%	102.0%
1991	85,000	10.00%	101.5%
1992	90,000	10.25%	101.0%
1993	100,000	10.50%	100.5%
1994	110,000	10.75%	100.0%
1995	125,000	11.00%	100.0%
1996	-0-		100.0%
1997	-0-		100.0%
1998	1,645,000	11.50%	100.0%

Notice from the Company to the Trustee pursuant to Section 8.4 of the Agreement that the Company shall exercise its option to prepay all or any portion (in amounts of $5,000 or any integral multiple thereof) of the Loan Payments pursuant to Section 8.2 of the Agreement shall constitute the direction from the Issuer to the Trustee to call an equivalent principal amount of then outstanding Project Bonds for optional redemption pursuant to this paragraph, and no separate notice from the Issuer to the Trustee shall be required.

If less than the entire unmatured portion of the Project Bonds shall be called for redemption at any time or from time to time (otherwise than pursuant to any mandatory sinking fund provisions hereof) they shall be called in inverse order of the maturities of the Project Bonds at the time outstanding; and if less than all of the Project Bonds outstanding of one maturity are to be called, the selection of such Project Bonds or portions of fully registered Project Bonds of such maturity to be called shall be made by lot by the Trustee in such manner as the Trustee may determine.

Notice of the call for any redemption of Project Bonds, identifying by designation, letters, numbers, or other distinguishing marks, the Project Bonds (in amounts of $5,000 or any integral multiple thereof) the redemption price to be paid, the date fixed for redemption and the place or places where the amounts due upon such redemption are payable, shall be given by the Trustee on behalf of the Issuer by at least two publications in a newspaper or financial journal of general circulation published in the City and State of New York, the first such publication to be not less than thirty days prior to the redemption date, and, in the case of the redemption of Project Bonds at the time in coupon form registered as to principal (except to bearer) by mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the registered owner of each such registered Project Bond to be redeemed at the address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice by mailing, or any defect in such notice, shall not affect the validity of

proceedings for the redemption of the Project Bonds. If all of the Project Bonds to be redeemed are at the time in coupon form registered as to principal (except to bearer) notice of the call for redemption may be given by mailing a copy of the redemption notice by registered or certified mail at least thirty days prior to the date fixed for redemption to the holder or holders thereof at the address shown on the registration books kept by the Trustee, and newspaper or financial journal publication of the notice of the call for redemption need not be given; provided, however, that failure to give such notice to any Bondholder by mailing, or any defects in such notice to any Bondholder, shall not affect the validity of the proceedings for the redemption of any of the other Project Bonds. The holder or holders of Project Bonds may waive such notice in writing and in such event, no notice of any kind need be given with respect to the Project Bonds of such holder or holders to be so redeemed.

If, because of the temporary or permanent suspension of the publication or general circulation of the appropriate newspapers or financial journals, or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Bond service charges on Project Bonds in coupon form, other than principal of or any redemption premium on such Bonds registered as to principal (except to bearer), shall be payable, without deduction for services as paying agent, at the corporate trust office of the Trustee. The principal of and any redemption premium on registered Project Bonds shall be payable at the corporate trust office of the Trustee.

The Project Bonds shall be executed by the Executive and Fiscal Officer of the Issuer, provided that either or both of such signatures may be facsimiles, and shall have the seal of the Issuer, or a facsimile thereof, impressed or reproduced thereon and the interest coupons attached thereto, in the case of coupon Project Bonds, shall bear the facsimile signature of the Fiscal Officer.

Section 4. Terms of all Bonds. All Bonds shall bear such designation as may be necessary to distinguish them from Bonds of any other series. Bond service charges on all Bonds shall be payable in lawful money of the United States of America. Subject to provisions of the applicable Bond Legislation, Bonds shall be issued as coupon Bonds registrable as to principal and may be exchanged as between forms, all as provided in the Indenture. All Bonds shall be negotiable instruments, subject to applicable provisions for registration, and shall express on their faces the purpose for which they are issued and such other statements or legends as may be required by law.

All bonds and coupons shall be executed in the manner provided in the Bond Legislation authorizing their issuance or in the manner provided by the applicable law in effect at the time of their issuance. In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds or coupons shall cease to be such officer before the issuance, authentication or delivery of such Bonds or coupons, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until that time.

Unless otherwise provided in the Bond Legislation authorizing the issuance of Additional Bonds, notice of call for redemption of all Bonds shall be given in the manner provided in Section 3 hereof for the notice of call for redemption of the Project Bonds. If Bonds are duly called for redemption and if on such redemption date moneys for the redemption of all the Bonds to be redeemed, together with accrued interest to the redemption date, shall be held by the Trustee or Paying Agents so as to be available therefor, then from and after such redemption date such Bonds shall cease to bear interest and any coupons for interest thereon maturing subsequent to the redemption date shall be void.

Section 5. Security Pledged for Bonds. As provided herein, the Bonds shall be equally and ratably payable solely from the Pledged Receipts and secured by a pledge of and lien on moneys deposited in the Construction Fund and Bond Fund and a pledge and assignment of other moneys constituting Pledged Receipts, and further secured by the Indenture and by the pledge and assignment of the Note and of all right, title and interest of the Issuer in, to and under the Mortgage and the Loan Agreement pursuant to the Assignment and the Indenture; and anything in the Bond Legislation, the Bonds or the Indenture to the contrary notwithstanding, neither the Bond Legislation, the Bonds, nor the Indenture shall constitute a debt or a pledge of the faith and credit of the Issuer or of any political subdivision thereof and the holders or owners of the Bonds shall have no right to have taxes levied by the State or by any political subdivision of the State for the payment of the principal of, premium, if any, or interest on the Bonds, but such Bonds are payable solely from the Pledged Receipts and the Bonds shall contain on the face thereof a statement to that effect; provided, however, that nothing herein shall be deemed to prohibit the Issuer, of its own volition, from using to the extent it is lawfully authorized to do so, any other resources or revenues for the fulfillment of any of the terms, conditions or obligations of the Indenture, the Bond Legislation or any of the Bonds.

Section 6. Sale of Project Bonds and Allocation of Purchase Price. The Executive and Fiscal Officer are each hereby authorized and directed to offer for sale the Project Bonds to the Original Purchaser for purchase by the Original Purchaser at the price of 95% of the principal amount of the Project Bonds in accordance with the terms and provisions of this Bond Legislation, and to make the necessary arrangements on behalf of the Issuer with the Original Purchaser to establish the date, location, procedure and conditions for the delivery of the Project Bonds to the Original Purchaser. The Executive and Fiscal Officer further are hereby authorized and directed to take all steps necessary to effect due authentication, delivery and security of the Project Bonds under the terms of this Bond Legislation and the Indenture, and it is hereby determined that the aforesaid purchase price and the interest rate for the Project Bonds and the manner of sale, as provided in this Bond Legislation, are in the best interest of the Issuer and consistent with all legal requirements. The Fiscal Officer shall cause to be furnished to the Original Purchaser a true transcript of proceedings had with reference to the issuance of the Project Bonds, certified by such Fiscal Officer, along with such information from such Fiscal Officer's records as is necessary to determine the regularity and validity of the issuance of said Bonds.

At the time of issuance, delivery of and payment for the Project Bonds, the Bond Fund Payment, plus capitalized interest, if any, shall be deposited from the purchase price for the Project Bonds into the Bond Fund.

There is hereby created by the Issuer and ordered maintained as a separate deposit account (except when invested as hereinafter provided) in the custody of the Trustee a trust fund to be designated "City of Fort Wayne - Health Care Fund Construction Fund" (herein called the "Construction Fund"). After deducting the Bond Fund Payment required by the preceding paragraph to be paid otherwise than to the Constuction Fund, the balance of the proceeds of the Project Bonds shall be deposited in the Construction Fund as the Loan to the Company provided for in the Agreement. Moneys in the Construction Fund shall be disbursed by the Trustee in accordance with the provisions of the Agreement, and the Trustee is hereby authorized and directed to issue its check for each disbursement required by the provisions of the Agreement. The Issuer covenants and agrees promptly to take whatever action, if any, is necessary in approving and ordering all such disbursements.

The moneys to the credit of the Construction Fund shall, pending application thereof as above set forth, be subject to a lien and charge in favor of the holders of the Project Bonds, but only to the extent of their interest therein.

Section 7. Source of Payment - Bond Fund. As provided in the Agreement, Loan Payments sufficient in time and amount to pay the Bond service charges as they come due, are to be paid by the Company directly to the Trustee for the account of the Issuer and deposited in the Bond Fund. Under the provisions of the Agreement, payments with respect to the Note received by the Trustee shall be deposited into the Bond Fund for the account of the Issuer and shall constitute Loan Payments.

There is hereby created by the Issuer and ordered maintained, as a separate deposit account (except when invested as hereinafter provided) in the custody of the Trustee, a trust fund to be designated "City of Fort Wayne - Health Care Fund Revenue Bond Fund" (herein called the "Bond Fund"). The Bond Fund (and accounts therein provided for in the Indenture or in the Agreement) and the moneys and investments therein are hereby pledged to and shall be used solely and exclusively for the payment of Bond service charges as they fall due at stated maturity or by redemption or pursuant to any mandatory sinking fund requirements, all as provided herein and in the Indenture and the Agreement, provided that no part thereof (other than any amounts paid as and for any mandatory sinking fund requirements, and except as may otherwise be provided for herein and in the Indenture or the Agreement) shall be used to redeem, prior to maturity, any Bonds.

Anything contained in the preceding paragraph to the contrary notwithstanding, moneys paid into the Bond Fund pursuant to the provisions of Section 2.10 of the Agreement relating to Project Bonds which were not outstanding on the date of a Determination of Taxability, but which were outstanding on the date of an Event of Taxibility, shall be used solely for payment as follows: In the event any person who was a Bondholder at the time of an Event of Taxability shall present to the Trustee written proof satisfactory to the Trustee that he was a holder of such Project Bond at such time, but that such Project Bond matured or was redeemed prior to a Determination of Taxability, he shall be entitled to, and the Trustee shall pay to him from such moneys an amount equal to 1-1/2% of the principal amount of such Bond for each six-month period or part thereof elapsed between the date of the Event of Taxability and the date such Bond matured or was redeemed.

On or before each date when Bond service charges are due and payable, the Trustee shall transmit from moneys in the Bond Fund applicable thereto to any other Paying Agents, as appropriate, amounts sufficient to meet payments to be made by them of Bond service charges to be then due and payable; provided that to the extent that the amount needed by any other Paying Agent is not sufficiently predictable, the Trustee may make such credit arrangements with such Paying Agent so as to permit meeting such payments.

There shall be deposited into the Bond Fund (and credited, if required by the Indenture or the Agreement, to appropriate accounts therein), as and when received, (a) all Loan Payments and (b) all other Pledged Receipts, except those amounts required by the Indenture or the Agreement to be deposited in the Construction Fund or any other separate insurance or condemnation proceeds account.

As and for the mandatory sinking fund requirements for the retirement, by mandatory redemption pursuant to Section 3 hereof, of the Project Bonds, the aggregate of the Loan Payments specified in Section 2.1 of the Agreement which is to be deposited in the Bond Fund on or before each Loan Payment Date (as defined in the Agreement) shall include amounts sufficient to redeem (less the amount of any credit as provided in the next following paragraph) on each corresponding Mandatory Redemption Date the principal amount of Project Bonds set opposite the appropriate year as follows:

$1,645,000 Term Bonds maturing April 1, 1998

Year	Mandatory Sinking Fund Requirement	Stated Maturity
1996	$135,000	
1997	155,000	
1998		$1,355,000

For the purpose of effecting said mandatory redemption the Trustee, on behalf of the Issuer and without necessity for further action by the Issuer or the Company, shall cause to be redeemed, in the manner provided in Section 3 hereof, on each Mandatory Redemption Date such aggregate principal amount of the Project Bonds as equals the mandatory sinking fund requirements as provided for above in this Section 7 for the applicable Mandatory Redemption Date. Project Bonds called for redemption pursuant to the mandatory sinking fund redemption provisions hereof shall be called by lot in such manner as may be determined by the Trustee.

At its option, to be exercised on or before the forty-fifth day preceding any Mandatory Redemption Date, the Issuer, or the Company on behalf of the Issuer, may (a) deliver to the Trustee for cancellation Project Bonds in any aggregate principal amount, with, if coupon Bonds, all unmatured coupons attached, or (b) receive a credit against the current mandatory sinking fund requirement (and corresponding mandatory redemption obligation) of the Issuer under the preceding paragraph for any Project Bonds which prior to such date have been redeemed (other than through the operation of the mandatory sinking fund requirements provided for in this Section) or purchased for cancellation and cancelled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund requirement (and corresponding mandatory redemption obligation) under said preceding paragraph. Each Project Bond so delivered or previously redeemed or purchased

for cancellation shall be credited by the Trustee at 100% of the principal amount thereof against the respective mandatory sinking fund requirement (and corresponding mandatory redemption obligation) of the Issuer on such Mandatory Redemption Date, and any excess of such amount shall be credited against future mandatory sinking fund requirements (and corresponding mandatory redemption obligations) in chronological order. The Issuer, or the Company on behalf of the Issuer, will on or before the forty-fifth day preceding each Mandatory Redemption Date furnish the Trustee with a certificate, signed by the Fiscal Officer, or by the Authorized Company Representative (as defined in the Agreement), stating the extent to which the provisions of (a) and (b) of the first sentence of this paragraph are to be availed of with respect to such mandatory sinking fund requirement (and corresponding mandatory redemption obligation) for such Mandatory Redemption Date; unless such certificate is so timely furnished to the Trustee, the Trustee shall not be required to reduce such requirement and obligation provided for in the preceding paragraph.

The Issuer hereby covenants and agrees that so long as any of the Bonds are outstanding it will deposit, or cause to be deposited, in the Bond Fund Pledged Receipts sufficient in time and amount to pay the Bond service charges as the same become due and payable, and to this end the Issuer covenants and agrees that, so long as any Bonds are outstanding, it will diligently and promptly proceed in good faith and use its best efforts to enforce the Agreement, and that, should there be an event of default under the Agreement, the Issuer shall fully cooperate with the Trustee and with the Bondholders to protect fully the rights and security of the Bondholders hereunder. Nothing herein shall be construed as requiring the Issuer to use or apply to the payment of Bond service charges any funds or revenues from any source other than Pledged Receipts.

The Issuer covenants and agrees, whenever the moneys and investments in the Bond Fund (or otherwise held by the Trustee for such purpose) are sufficient in amount to redeem all of the Bonds then outstanding and to pay interest to accrue thereon to the date or dates of such redemption, to take and cause to be taken, at the direction of the Company, the necessary steps to redeem all of said Bonds on the next succeeding redemption date or dates for which the required notice of call for redemption may be given.

Section 8. Additional Bonds. At the request of the Company if the Company is not then in default under the Agreement, the Issuer, to the extent permitted by law (including the Act) then in effect and for purposes consistent with the Act, shall use its best efforts to issue Additional Bonds from time to time to provide loans to the Company for: (i) the acquisition for the Project of additional real estate or interests therein, or repairs to the Project of a major nature arising from casualty or unanticipated conditions, or (ii) the acquisition, construction and installation of additional economic development facilities to be used in connection with the Project and to be located on the Project Site, or to be used in connection with other facilities located within the boundaries of the Issuer which are owned in whole or in part by the Company, or any combination thereof, or (iii) refunding the Project Bonds or any one or more series of Additional Bonds, or (iv) any combination of the foregoing; provided, that the proceeds of any Additional Bonds shall be used solely to pay permissible costs under the Act, and provided further that no Additional Bonds may be issued unless the Company shall first provide to the Trustee and the Original

Purchaser a certification by an independent certified public accountant to the effect that the gross income (defined as net income plus fixed charges) of the Company for a 12-month period ending on the calendar quarter immediately prior to the proposed date of issuance of such Additional Bonds and for the 12-month period ended as of the same calendar quarter of the preceding year was at least one and two-tenths (1.2) times the fixed charges of the Company for such period after adjusting the fixed charges of the Company as if such Additional Bonds had been outstanding in said two 12-month periods. Such Additional Bonds shall be on a parity with the Project Bonds and any Additional Bonds theretofore or thereafter issued. Before any Additional Bonds are authenticated there shall be delivered to the Trustee the items required by Section 2.08 of the Indenture and (a) any necessary amendment of the Agreement to provide for increased Loan Payments so that the aggregate of the Loan Payments thereafter payable under the Agreement shall be sufficient in amount to make all required payments into the Bond Fund in order to pay when due Bond service charges on all Bonds then to be outstanding, and for all Additional Payments (as defined in the Agreement) by the Company under the provisions of the Agreement and the Bond Legislation, and (b) either the opinion of nationally recognized bond counsel or a ruling of the Internal Revenue Service of the United States Department of Treasury that the issuance of such series of Additional Bonds will not adversely affect the exemption from Federal income taxation of the interest paid or payable on any outstanding Bonds.

Section 9. Covenants of Issuer. In addition to other covenants of the Issuer in this Bond Legislation and the Indenture contained, the Issuer further covenants and agrees as follows:

(a) Payment of Bond Service Charges. The Issuer will, solely from Pledged Receipts, pay or cause to be paid the Bond service charges on each and all Bonds on the dates, at the places and in the manner provided herein, in the applicable Bond Legislation and in the Bonds and coupons.

(b) Performance of Covenants, Authority and Actions. The Issuer will at all times faithfully observe and perform all agreements, covenants, undertakings, stipulations and provisions contained in the Bond Legislation, the Agreement, the Indenture and in any and every Bond executed, authenticated and delivered under the Indenture, and in all proceedings of the Issuer pertaining to the Bonds, the Indenture or the Agreement. The Issuer warrants and covenants that it is, and upon delivery of the Project Bonds will be, duly authorized by the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Project Bonds and to execute the Indenture and the Agreement, to provide the security for payment of the Bond service charges in the manner and to the extent herein and in the Indenture set forth; that all actions on its part for the issuance of the Project Bonds and execution and delivery of the Indenture and the Agreement have been or will be duly and effectively taken; and that the Project Bonds and the coupons pertaining thereto in the hands of the holders thereof will be valid and enforceable special obligations of the Issuer according to the terms thereof. Each provision of the Bond Legislation, Indenture, Agreement and Bonds is binding upon each such officer of the Issuer as may from time to time have the authority under law to take such actions as may be necessary to perform all or any part of the duties required by such provision; and each duty of the Issuer and of its officers undertaken pursuant to such proceedings for the Bonds is established as a duty of the Issuer and of each such officer having authority to perform such duty.

(c) Pledged Receipts. Except as otherwise provided in the Bond Legislation, Indenture and Agreement, the Issuer will not create or suffer to be created any debt, lien or charge thereon, or make any pledge or assignment of or create any debt, lien or charge thereon, or make any pledge or assignment of or create any lien or encumbrance upon the Pledged Receipts, including the moneys in the Bond Fund and Construction Fund, other than the pledge and assignment thereof under the Bond Legislation, Indenture and Agreement.

(d) Recordings and Filings. The Issuer will cause (to the extent required by the laws of the State to perfect such instruments and/or the lien created thereby) the Mortgage and the Assignment, and any amendments or supplements to any of them, and all necessary financing statements, amendments thereto, continuation statements and instruments of similar character relating to the pledges and assignments made by it to secure the Bonds, to be recorded and filed in such manner and in such places and to the extent required by law in order to fully preserve and protect the security of the holders of the Bonds and the rights of the Trustee under the Indenture.

(e) Inspection of Project Books. All books and documents in the Issuer's possession relating to the Project or the Pledged Receipts shall at all times be open to inspection by such accountants or other agents of the Trustee as the Trustee may from time to time designate.

(f) List of Bondholders. To the extent that such information shall be made known to the Issuer under the terms of this paragraph, the Issuer will keep or arrange to have kept on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of Bonds payable to bearer. Any Bondholder may in a writing addressed to the Issuer or Trustee request that his name and address be placed on said list, which request shall include a statement of the principal amount of Bonds held by such holder and shall identify, by number and series designation, such Bonds. Neither the Issuer nor the Trustee shall be under any responsiblity with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Company, or by the holders (or a designated representative thereof) of twenty-five percent or more in principal amount of Bonds then outstanding, such holding and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

(g) Rights under Agreement. The Trustee, in its name or in the name of the Issuer, may, for and on behalf of the Bondholders, enforce all rights of the Issuer and all obligations of the Company under and pursuant to the Agreement, Note and Mortgage, whether or not the Issuer has pursued or attempted to enforce such rights and obligations.

(h) Maintenance of Agreement. The Issuer shall do all things and take all actions on its part necessary to comply with the obligations, duties and responsibilities on the part of the Issuer under the Agreement, and will take all actions within its authority to maintain the Agreement in effect in accordance with the terms thereof and to enforce and protect the rights of the Issuer thereunder, including actions at law and in equity, as may be appropriate.

(i) Arbitrage Provisions. The Issuer will restrict the use of the proceeds of the Project Bonds in such manner and to such extent, if any, as may be necessary, after taking into

account reasonable expectations at the time the Project Bonds are delivered to the Original Purchaser, so that they will not constitute "arbitrage bonds" under Section 103(c) of the Code. The Fiscal Officer or any other officer having responsibility with respect to the issuance of the Project Bonds, is authorized and directed, alone or in conjunction with any of the foregoing or with any other officer, employee, consultant or agent of the Legislative Authority, or any officer of the Company, and upon receipt of satisfactory indemnities, to give an appropriate certificate on behalf of the Issuer, for inclusion in the transcript of proceedings for the Project Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to said Section 103(c), of the Code.

Section 10. Investment of Bond Fund and Construction Fund. Moneys in the Bond Fund and the Construction Fund shall be invested and reinvested by the Trustee in any Eligible Investments, in accordance with and subject to any orders of the Authorized Company Representative (as defined in the Agreement) with respect thereto, provided that investments of moneys in the Bond Fund shall mature or be redeemable at the option of the holder at the times and in the amounts necessary to provide moneys hereunder to pay Bond service charges as they fall due at stated maturity or by redemption or pursuant to any mandatory sinking fund requirements, and that each investment of moneys in the Construction Fund shall in any event mature or be redeemable at the option of the holder at such time as may be necessary to make timely payments from said Fund. In the absence of timely direction by the Authorized Company Representative, the Trustee is authorized to make such investments as it deems in the best interests of the Company. Subject to any such orders with respect thereto, the Trustee may from time to time sell such investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any such investments may be purchased from the Trustee. The Trustee shall sell or redeem investments standing to the credit of the Bond Fund to produce sufficient moneys hereunder at the times required for the purpose of paying Bond service charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any such order. An investment made from moneys credited to the Bond Fund or the Construction Fund shall constitute part of that respective Fund and such respective Fund shall be credited with all proceeds of sale and income from such investment. For purposes of the Indenture and this Bond Legislation, such investments shall be valued at face amount or market value, whichever is less. The covenant contained in Section 4.5 of the Agreement shall apply to investments of moneys in the Bond Fund and Construction Fund.

Section 11. Indenture; Agreement and Assignment. In order better to secure the payment of the Bond service charges as the same shall become due and payable, the Executive and Fiscal Officer of the Legislative Authority are hereby authorized and directed to execute, acknowledge and deliver the Indenture, Agreement and Assignment in substantially the forms submitted to the Issuer, and to endorse upon the Note the assignment thereof to the Trustee, which instruments are hereby approved, with such changes therein not inconsistent with this Bond Legislation and not substantially adverse to the Issuer as may be permitted by the Act and approved by the officers executing the same. The approval of such changes by said officers, and their determination that such are not substantially adverse to the Issuer, shall be conclusively evidenced by the execution of the Indenture, the Agreement and the Assignment respectively, and by endorsement of the Note, by such officers.

This Bond Legislation shall constitute a part of the Indenture as therein provided and for all purposes of said Indenture, including, without limitation thereto, application to this Bond Legislation of the provisions in the Indenture relating to amendment, modification and supplementation, and provisions for severability.

Section 12. Other Documents. The Executive or the Fiscal Officer, or both, are hereby further authorized and directed to execute financing statements, other assignments and any other instruments as are, in the opinion of the bond counsel to the Issuer, necessary to perfect the pledges set forth in the Indenture and to consummate the transactions provided for in the Indenture and Agreement. The Executive and Fiscal Officer are also authorized to execute on behalf of the Issuer an Official Statement with respect to the Project Bonds, if the Original Purchaser shall so request.

Section 13. Election by Issuer. The Issuer hereby elects, with respect to the Project Bonds, to be within the limitations imposed by the provisions of Section 103(b)(6)(D) of the Code and the Executive or Fiscal Officer is hereby authorized and directed to perform any and all acts and provide such information as may be required by the Secretary of the Treasury, his delegate or the Internal Revenue Service in order to implement such election, and any and all acts heretofore taken pertaining to such election and relating to such requirements are hereby ratified and confirmed.

Section 14. Temporary Project Bonds. Pending the preparation of definitive Project Bonds, the Issuer may execute and the Trustee shall authenticate and deliver temporary Project Bonds in printed or typewritten form. Temporary Project Bonds shall be issuable in fully registered form, without coupons, of any denomination, and substantially in the form of the definitive Project Bonds but with such omissions, insertions and variations as may be appropriate for temporary Project Bond, all as may be determined by the Fiscal Officer, his execution of any such temporary Project Bonds to be conclusive evidence of his determinations as aforesaid. Every temporary Project Bond shall be executed on behalf of the Issuer, and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Project Bonds. If one or more temporary Project Bonds are issued, then without unnecessary delay the Issuer shall execute and furnish definitive Project Bonds and thereupon temporary Project Bonds may be surrendered to the Trustee in exchange therefor without charge, and the Trustee shall authenticate and deliver in exchange for such temporary Project Bonds an equal aggregate principal amount of definitive Project Bonds. Until so exchanged the temporary Project Bonds shall be entitled to the same benefits under the Indenture as definitive Project Bonds.

Section 15. Compliance with Open Meetings Laws. It is hereby found and determined that all official actions of this Common Council concerning and relating to the passage of this Ordinance were taken in an open meeting of this Common Council and that all deliberations of this Common Council and of any of its committees, if any, that resulted in such official action were taken in meetings open to the public, in full compliance with applicable legal requirements, including I.C. 5-14-1.5-7.

Section 16. Special Authorization. The law firm of Taft, Stettinius & Hollister, Cincinnati, Ohio, is authorized to execute and deliver, as the agent of the Issuer, Internal

Revenue Service Form 8038 (Information Return for Private Activity Bond Issues), such Form to be delivered at such time and in such manner as the Issuer and such bond counsel deem appropriate.

Section 17. Effective Date. This Bond Legislation shall take effect and be in force from and after its passage and signing by the Mayor.

COUNCILMAN

APPROVED AS TO FORM AND
LEGALITY.

John J. Wernet, Attorney for the
Fort Wayne Economic Development Commission
Dated this 21st day of March, 1983.

Read the first time in full and on motion by GiaQuinta, seconded by Talarico, and duly adopted, read the second time by title and referred to the Committee Finance (and the City Plan Commission for recommendation) and Public Hearing to be held after due legal notice, at the Council Chambers, City-County Building, Fort Wayne, Indiana, on ________, the ________ day of ________, 19___, at ________ o'clock ___.M.,E.S.T.

DATE: 3-22-83

CHARLES W. WESTERMAN - CITY CLERK

Read the third time in full and on motion by GiaQuinta, seconded by Stier, and duly adopted, placed on its passage. PASSED (~~LOST~~) by the following vote:

	AYES	NAYS	ABSTAINED	ABSENT	TO-WIT:
TOTAL VOTES	9				
BRADBURY	✓				
BURNS	✓				
EISBART	✓				
GiaQUINTA	✓				
SCHMIDT	✓				
SCHOMBURG	✓				
SCRUGGS	✓				
STIER	✓				
TALARICO	✓				

DATE: 4-12-83

CHARLES W. WESTERMAN - CITY CLERK

Passed and adopted by the Common Council of the City of Fort Wayne, Indiana, as ~~(ZONING MAP)~~ ~~(GENERAL)~~ ~~(ANNEXATION)~~ (SPECIAL) ~~(APPROPRIATION)~~ ORDINANCE ~~(RESOLUTION)~~ NO. S-62-83 on the 12th day of April, 1983.

ATTEST: (SEAL)

CHARLES W. WESTERMAN - CITY CLERK

PRESIDING OFFICER

Presented by me to the Mayor of the City of Fort Wayne, Indiana, on the 13th day of April, 1983, at the hour of 11:30 o'clock A.M.,E.S.T.

CHARLES W. WESTERMAN - CITY CLERK

Approved and signed by me this 15th day of April 1983, at the hour of 10 o'clock A.M.,E.S.T.

WIN MOSES, JR. - MAYOR

BILL NO. S-83-03-28

REPORT OF THE COMMITTEE ON FINANCE

WE, YOUR COMMITTEE ON FINANCE TO WHOM WAS REFERRED AN ORDINANCE AUTHORIZING THE ISSUANCE OF $2,365,000 ECONOMIC DEVELOPMENT FIRST MORTGAGE REVENUE BONDS OF THE CITY OF FORT WAYNE, INDIANA, IN ORDER TO ASSIST HEALTH CARE FUND IN THE FINANCING OF COSTS OF NEW COMMERCIAL FACILITIES: AUTHORIZING THE ISSUANCE OF ADDITINAL BONDS: PROVIDING FOR THE PLEDGE OF REVENUES FOR THE PAYMENT OF SAID BONDS: AUTHORIZING A LOAN AGREEMENT WITH RESPECT TO THE PROCEEDS DERIVED FROM THE SALE OF SAID BONDS: AUTHORIZING A TRUST INDENTURE APPROPRIATE FOR THE PROTECTION AND DISPOSITION OF SUCH REVENUES AND FURTHER TO SECURE THE PAYMENT OF SAID BONDS; AND AUTHORIZING THE ASSIGNMENT BY THE CITY OF A NOTE, MORTGAGE, LOAN AGREEMENT AND ASSIGNMENT OF LEASE FROM HEALTH CARE FUND

HAVE HAD SAID ORDINANCE UNDER CONSIDERATION AND BEG LEAVE TO REPORT BACK TO THE COMMON COUNCIL THAT SAID ORDINANCE DO PASS.

MARK E. GiaQUINTA, CHAIRMAN	Mark E. GiaQuinta
JAMES S. STIER, VICE CHAIRMAN	Jim Stier
JANET G. BRADBURY	Janet G. Bradbury
SAMUEL J. TALARICO	Samuel J. Talarico
DONALD J. SCHMIDT	

4-12-83 CONCURRED IN

DATE CHARLES W. WESTERMAN, CITY CLERK

Admn. Appr.________

DIGEST SHEET

S-83-03-28

TITLE OF ORDINANCE Special

DEPARTMENT REQUESTING ORDINANCE Economic Development Commission

SYNOPSIS OF ORDINANCE An Ordinance authorizing the issuance of $2,365,000 Economic Development First Mortgage Revenue Bonds of the City of Fort Wayne, Indiana (Health Care Fund Project) and approval of final financing documents. An Inducement Resolution for this Project was previously adopted by City Council.

EFFECT OF PASSAGE Permanent financing of the facilities.

EFFECT OF NON-PASSAGE None of the above.

MONEY INVOLVED (DIRECT COSTS, EXPENDITURES, SAVINGS) None.

ASSIGNED TO COMMITTEE (PRESIDENT)________

The City of Fort Wayne

March 14, 1983

Common Council of the
City of Fort Wayne
One Main Street
Fort Wayne, IN 46802

RE: E.D.C. Applications of A.W.B. Realty Corp.
and Health Care Fund

Gentlemen and Mrs. Bradbury:

In order to assist you in regards to your decision whether to grant an Inducement Resolution for the projects of A.W.B. Realty Corp. and Health Care Fund, I have attached copies of each application and other supporting documents.

These resolutions were introduced to Council on March 8, 1983, and will be discussed by Finance Committee on March 15, 1983. If you should have any questions concerning these projects, please do not hesitate to contact me.

Sincerely,

Fred Baughman
Coordinator
Economic Development Commission

del

Attachments

AMENDED
APPLICATION TO FORT WAYNE, INDIANA
ECONOMIC DEVELOPMENT COMMISSION,
FOR ECONOMIC DEVELOPMENT
REVENUE BOND FINANCING

(1) Applicant's name

AWB REALTY CORP.

(2) Address of Applicant's Principal Office and Place of Business.

203 East Berry Street
Fort Wayne, Indiana 46802

(3) Type of organization under which the Applicant does business (e.g. corporation, partnership, sole proprietorship, joint venture).

Corporation

(4) Under the laws of what State is the Applicant organized?

Indiana

(5) Business or business in which applicant is engaged?

A wholly owned real estate holding company subsidiary of Anthony Wayne Bank of Fort Wayne, Indiana

(6) Is the applicant qualified to do business in Indiana?

Yes.

(7) Please list names and titles of principal operating personnel.

Jay R. Powell, President
Tudor Glassburn, Vice President
Larry G. Doctor, Secretary/Treasurer

(8) Please list names of all persons or firms having an ownership interest of 10% or more in the applicant.

Anthony Wayne Bank of Fort Wayne, Indiana
owns 100% of the stock of Applicant

(9) Please list names of any persons who are both (a) shareholders or holders of any debt obligation of the applicant; and (b) officers or members of the Economic Development Commission; or members of the Common Council of the City; or members of the Allen County Council.

None.

(10) Has any person listed been (a) convicted of a felony, (b) convicted of or enjoined from any violation of state or federal securities laws, or (c) a part to any consent order or entry with respect to an alleged state or federal securities law violation, in each case within ten years preceding the date of this application?

No.

(11) What is applicant's net worth as of the end of the calendar or fiscal year quarter next preceding the date of the application?

As of December 31, 1982 - $160,804.22.

(12) How long has applicant been in business (a) under its present name, and (b) under any prior names? Please supply, if applicable.

(a) June 14, 1961;
(b) N/A

(13) What is the proposed amount of the bond issue?

$6,000,000.00

(14) How are the proceeds of the issue to be used? (Itemize by category of expenditure)

Land and building purchase with associated Engineering and professional fees	$5,800,000
Miscellaneous and contingency expenses	200,000
TOTAL	$6,000,000

(15) If the proceeds of the issue are not estimated to be sufficient to acquire, construct and/or remodel, and equip the proposed project, itemize the additional expenditures which will be necessary and indicate the source of such funds.

The amount being requested should be sufficient for all items.

(16) Where is the proposed project to be located? (Give street address and legal description as it appears on auditor's records).

Subs 1, 2, 3, 4, 5, 6 and 7 exclusive in N T Rues Sub. except street, values included on 91-3572-0087;

The Original Plat Lots 87 & 96 includes values for 91-3825-0001.

(17) Describe facilities to be constructed. (Provide architect's rendering if available).

Property to be purchased has approximately 90,000 square feet of useable office space on ten floors with five parking levels containing 275 parking spaces.

(18) Is the project solely within the city limits of Fort Wayne? (If not, give the name of the township and/or other municipality in which it is located).

Yes.

(19) Is the property solely within the Fort Wayne Community School District? (If not, state the name of the School District in which it is located).

Yes.

(20) What is the approximate size of the tract or parcel on which the property is to be situated?

Approximately 25,500 square feet.

(21) If the proposed project or a portion thereof is to be leased to another entity or entities, name the entity or entities and describe the portion to be leased. If no lease is contempleted, please indicate.

Approximately 30% of the leasable space will be leased to the Anthony Wayne Bank for use in general banking operations, and the remainder will be leased to other tenants.

Anthony Wayne Bank will be the guarantor of bond payments and accordingly the financial statements, are reported on a consolidated basis with AWB Realty Corp., its wholly owned real estate holding subsidiary and are attached hereto.

(22) What is the nature of the business to be conducted at this location?

General commercial banking functions, including, but not limited to, main office tellers lobby, drive-up facilities, computer operations, proof and transit functions, commercial and personal loans, trust operations, and all necessary accounting and auditing functions. In addition, it is anticipated that several *

(23) Does existing zoning clearly permit construction and operation of the proposed project?

(a) - What is the existing zone? B-3-A

(b) - What zone does project require? B-3-A

(24) Will the proposed project have ready access to (a) water, and (b) sewers? If not, state how it is intended to obtain access to those utilities.

(a) Yes.
(b) Yes.

(25) Are septic tank or other temporary sewage treatment and disposal facilities to be used in lieu of sewers?

No.

(26) Describe briefly any adverse environmental impact anticipated by reason of operation of the proposed project, with particular reference to air, noise or water pollution.

None.

* new areas of activity such as equipment leasing, insurance processing, accounts receivable factoring and real estate management may be located in the building and affiliated with the bank's general operations. Total job opportunities that these new activities would generate could reach between forty and fifty jobs in four to five years.

(27) If the project is constructed, will any existing jobs be lost by reason of reduction or cessation of operations (a) in the City, (b) in Allen County, or (c) elsewhere in the State of Indiana?

(a) No.
(b) No.
(c) No.

(28) Describe briefly by category the nature of the new jobs to be created.

See attached sheet.

(29) State the number of new jobs to be created (a) immediately after the proposed facilities are placed into operation, and (b) within three years thereafter.

(a) Within 3 years approximately 92 additional
(b) positions are projected as per attached sheet.

(30) What additional annual payroll will the new jobs generate (a) immediately after the proposed facilities are placed into operation, and (b) within three years thereafter.

(a) $1,000,000.00 at current wage and fringe
(b) benefit levels within three years.

(31) If the proposed project would not be approved for tax-exempt financing, is there any substantial possibility that loss of existing jobs would occur in (a) the City, (b) the County, or (c) the State of Indiana? If the answer to either (a), (b) or (c) is affirmative, what would be the approximate number of jobs lost and the approximate net annual dollar amount of payroll loss?

No.

28. The nature of the new jobs that this building would provide the adequate space to accomodate, would include, but not limited to, the following:

(a) Correspondent Financial Institution Computer Services:
First Year - 8
In Three Years - 24

(b) Merchant Bank Card Sales Data Center:
First Year - 10
In Three Years - 30

(c) Financial Institution Marketing Services:
In Three Years - 4

(d) Freedom Bank Support Center:
In Three Years - 6

(e) Expanded Trust Department and Commercial Loan Operations:
In Three Years - 6

(f) Insurance Processing:
In Three Years - 6

(g) Brokerage Services:
In Three Years - 6

(h) Equipment Leasing:
In Three Years - 4

(i) Accounts receivable factoring:
In Three Years - 6

Total in Three Years: 92

(32) Has the proposed project been informally reviewed by bond counsel to determine whether it is in accordance with the applicable state and federal law? If so, by what firm of bond counsel?

Yes. SNOW, ROSENBLATT & MOLIERE
Fort Wayne, Indiana

(33) Have tentative or final arrangements been made for sale of the bonds? Describe briefly any such arrangements.

Tentative arrangements are in process of being made with several entities for the sale of the bonds. The final details for this sale remain indefinite until negotiations with these parties are concluded.

(34) Describe briefly the proposed method of financing. (Direct, loan, lease, sale, etc.)

Direct loan through Bond sale.

AWB REALTY CORP.
Name of Applicant

BY: ______________________
Norman S. Snow
Its: Attorney for Applicant

Dated this __________ day of February, 1983.

State name, address and phone number of person to be contacted and given notice about this applicant:

Norman S. Snow, SNOW, ROSENBLATT & MOLIERE, 1310 Anthony Wayne Bank Building, Fort Wayne, Indiana, 46802.

Telephone: 219/423-2353

Attached to this application are copies of the 1979 through 1981 audited Financial Statements of applicant and proper guarantors. The audited 1982 Financial Statements are expected to be available February 11, 1983 and will be immediately forwarded to be appended to the application.

Anthony Wayne Bank

1981 Annual Report

Financial Highlights

		1981	1980
For the Year	Operating Income	$ 20,682,812	$ 16,883,151
	Operating Expenses	$ 20,009,202	$ 15,338,038
	Income Before Securities Gains	$ 999,559	$ 1,362,781
	Net Income	$ 1,022,238	$ 1,366,942
	Ratio of Net Income to Operating Income	4.9%	8.1%
	Dividends Declared:		
	Cash	$ 249,600	$ 358,800
	Stock	20%	-0-
	Net Income Retained After Cash Dividend Payout	$ 772,638	$ 1,008,142
Per Share	Income Before Securities Gains	$ 3.20	$ 4.37
	Net Income	$ 3.27	$ 4.38
	Cash Dividends Declared	$ .80	$ 1.15
	Book Value	$ 33.89	$ 31.42
At Year-End	Assets	$162,285,382	$155,370,326
	Total Deposits	$140,946,417	$138,046,100
	Net Loans	$ 96,041,268	$ 91,834,377
	Investments	$ 42,500,774	$ 39,779,547
	Equity Capital	$ 10,574,420	$ 9,801,782
	Return on Shareholders' Equity	10.4%	15.8%
	Return on Average Assets	.64%	.90%
	Number of Shareholders	769	741

Quarterly Financial Data
(Unaudited — In thousands except for per share data)

		1981				1980			
		For the Quarters Ended							
		3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31
Total Operating Income		$4,768	$5,062	$5,584	$5,269	$4,149	$4,319	$3,836	$4,579
Total Operation Expenses		4,476	4,854	5,250	5,429	3,797	4,066	3,557	3,918
Income Before Securities Gains		290	227	338	145	320	267	277	499
Net Income		298	230	338	157	320	267	281	499
Per Share:*									
Income Before Securities Gains		.93	.73	1.08	.46	1.03	.85	.89	1.60
Net Income		.96	.74	1.08	.49	1.03	.85	.89	1.61
Cash Dividends Declared		.27	.27	.26	-0-	.27	.27	.26	.35
Over-the-Counter Bid Price range**	Hi	$ 20	$ 20	$ 20	$ 16½	$ 24	$ 24	$ 23	$ 20
	Lo	$ 20	$ 20	$ 20	$ 15	$ 23	$ 23	BW	BW

*Based on 312,000 average shares outstanding.

**The common stock of Anthony Wayne Bank is traded locally in the over-the-counter market by brokerage firms in the Fort Wayne area.

Five Year Summary
Consolidated Statement of Condition

(In Thousands)	1981	1980*	1979*	1978	1977
ASSETS					
Cash and noninterest-bearing deposits	$ 12,297	$ 11,382	$ 12,841	$ 12,067	$ 9,271
Investment securities:					
U. S. Treasury	10,963	10,833	9,229	12,744	13,721
Federal agencies	12,499	10,999	9,400	6,400	5,907
State and municipal	19,029	17,938	17,597	15,562	14,649
Other securities	10	10	10	10	10
Total investment securities	42,501	39,780	36,236	34,716	34,287
Federal funds sold	3,900	7,950	4,700	3,050	3,400
Loans:					
Loans, net of unearned interest	97,132	92,826	90,802	80,729	72,719
Less: Allowance for loan losses	1,091	992	986	849	744
Net loans	96,041	91,834	89,816	79,880	71,975
Bank premises and equipment	3,670	1,993	2,095	2,061	1,540
Accrued interest receivable	2,669	1,934	1,434	1,146	947
Other assets	1,207	497	910	767	109
Total assets	$162,285	$155,370	$148,032	$133,687	$121,529
LIABILITIES					
Deposits:					
Demand	$ 27,176	$ 35,777	$ 36,376	$ 33,886	$ 29,505
Savings	30,832	29,347	31,056	32,543	33,434
Time	82,938	72,922	60,908	53,157	45,585
Total deposits	140,946	138,046	128,340	119,586	108,524
Federal funds purchased	2,150	4,070	2,770	660	900
Securities sold under repurchase agreements	5,007		5,000	3,000	3,000
Accrued interest payable	1,687	1,450	1,360	1,017	675
Other liabilities	421	502	391	343	193
Total liabilities (excluding capital notes)	150,211	144,068	137,861	124,606	113,292
Capital Notes	1,500	1,500	1,500	1,500	1,500
EQUITY CAPITAL					
Common Stock	3,120	2,600	2,600	1,950	1,560
Surplus	5,840	4,800	4,800	3,500	2,720
Undivided profits	1,614	2,402	1,271	2,131	2,457
Total equity capital	10,574	9,802	8,671	7,581	6,737
Total liabilities and equity capital	$162,285	$155,370	$148,032	$133,687	$121,529

*Restated to record accrued interest income on real estate and student loans in 1980 and to adjust accruals and interest expense on certificates of deposit, net of tax effect, for 1980 and 1979.

Five Year Summary
Consolidated Statement of Income

(In Thousands)	1981	1980*	1979*	1978	1977
INTEREST INCOME					
Interest and fees on loans	$ 14,799	$ 11,944	$ 9,909	$ 7,678	$ 6,105
Interest on federal funds sold	1,147	1,323	604	280	182
Interest on investment securities:					
U. S. Treasury	1,252	869	883	971	1,097
Federal agencies	1,402	938	584	422	369
State and municipal	1,253	1,079	780	729	633
Other securities	1	1	1	1	1
Total interest income	19,854	16,154	12,761	10,081	8,387
INTEREST EXPENSE					
Interest on deposits	11,961	8,795	6,313	5,017	4,177
Interest on capital notes	156	156	156	156	156
Interest on funds borrowed	1,029	975	681	300	139
Total interest expense	13,146	9,926	7,150	5,473	4,472
Net Interest Income	6,708	6,228	5,611	4,608	3,915
Provision for loan losses	300	330	330	300	400
Net Interest Income After Loan Loss Provision	6,408	5,898	5,281	4,308	3,515
Other Operating Income					
Trust fees	79	55	58	60	48
Service charges on deposit accounts	98	67	84	83	92
Other income	652	607	511	349	266
Total other operating income	829	729	653	492	406
Other Operating Expenses					
Salaries and wages	2,627	2,170	1,873	1,505	1,175
Pension and other employee benefits	437	343	306	224	141
Occupancy and equipment expenses	1,072	791	590	479	369
Other expenses	2,427	1,778	1,555	1,342	1,111
Total other operating expenses	6,563	5,082	4,324	3,550	2,796
Income Before Income Taxes and Securities Gains	674	1,545	1,610	1,250	1,125
Income taxes (credit)	(326)	182	345	166	183
Income Before Securities Gains	1,000	1,363	1,265	1,084	942
Securities gains after tax effect	23	4	3	2	7
Net Income	$ 1,023	$ 1,367	$ 1,268	$ 1,086	$ 949
Per Share:					
Income before securities gains	$ 3.20	$ 4.37	$ 4.05	$ 3.47	$ 3.02
Net securities gains	.07	.01	.01	.01	.02
Net income	$ 3.27	$ 4.38	$ 4.06	$ 3.48	$ 3.04
Dividends	$ .80	$ 1.15	$ .84	$ .78	$ .62
Average Shares Outstanding	312,000	312,000	312,000	312,000	312,000

*Restated to record accrued interest income on real estate and student loans in 1980 and to adjust accruals and interest expense on certificates of deposit, net of tax effect, for 1980 and 1979.

Consolidated Statement of Condition

	December 31 1981	1980 (Restated)
Assets		
Cash and noninterest-bearing deposits	$ 12,296,906	$ 11,381,572
Investment securities (note 3)		
U. S. Treasury	10,962,354	10,833,064
Federal agencies	12,499,489	10,998,828
State and municipal	19,028,931	17,937,655
Other securities	10,000	10,000
Total investment securities	42,500,774	39,779,547
Federal funds sold	3,900,000	7,950,000
Loans (note 4)		
Loans, net of unearned interest	97,131,899	92,826,182
Less: Allowance for loan losses	1,090,631	991,805
Net loans	96,041,268	91,834,377
Bank premises and equipment (note 5)	3,670,253	1,993,972
Accrued interest receivable	2,668,531	1,934,049
Other assets	1,207,650	496,809
Total assets	$162,285,382	$155,370,326
Liabilities		
Deposits (note 6)		
Demand	$ 27,176,217	$ 35,776,621
Savings	30,832,140	29,346,717
Time	82,938,060	72,922,762
Total deposits	140,946,417	138,046,100
Federal funds purchased	2,150,000	4,070,000
Securities sold under repurchase agreements	5,006,592	
Accrued interest payable	1,687,316	1,450,417
Other liabilities (note 10)	420,637	502,027
Total liabilities (excluding capital notes)	150,210,962	144,068,544
Capital notes (note 8)	1,500,000	1,500,000
Equity Capital		
Common stock, $10 par value:		
Authorized, issued and outstanding—		
312,000 shares in 1981 and 260,000 shares in 1980	3,120,000	2,600,000
Surplus	5,840,000	4,800,000
Undivided profits (note 9)	1,614,420	2,401,782
Total equity capital	10,574,420	9,801,782
Total liabilities and equity capital	$162,285,382	$155,370,326

See notes to Consolidated Financial Statements.

Consolidated Statement of Income

	Year Ended December 31 1981	1980 (Restated)
Interest Income		
Interest and fees on loans	$ 14,798,841	$ 11,944,277
Interest on federal funds sold	1,146,592	1,323,007
Interest on investment securities:		
U. S. Treasury	1,251,991	869,179
Federal agencies	1,402,431	938,318
State and municipal	1,253,543	1,078,941
Other securities	550	550
Total interest income	19,853,948	16,154,272
Interest Expense		
Interest on deposits	11,961,281	8,794,480
Interest on capital notes	156,250	156,250
Interest on funds borrowed	1,028,861	975,192
Total interest expense	13,146,392	9,925,922
Net Interest Income	6,707,556	6,228,350
Provision for loan losses (note 4)	300,000	330,000
Net Interest Income After Loan Loss Provision	6,407,556	5,898,350
Other Operating Income		
Trust fees	79,329	55,000
Service charges on deposit accounts	98,048	67,076
Other income	651,487	606,803
Total other operating income	828,864	728,879
Other Operating Expenses		
Salaries and wages	2,626,789	2,169,688
Pension and other employee benefits (note 11)	437,087	342,593
Occupancy and equipment expenses	1,071,531	791,508
Other expenses	2,427,403	1,778,327
Total other operating expenses	6,562,810	5,082,116
Income Before Income Taxes and Securities Gains and Losses	673,610	1,545,113
Income taxes (credit) (note 10)	(325,949)	182,332
Income Before Securities Gains and Losses	999,559	1,362,781
Securities gain after tax effect of $20,934 and $3,545	22,679	4,161
Net Income	$ 1,022,238	$ 1,366,942
Per Share:		
Income before securities gains	$ 3.20	$ 4.37
Net securities gains	.07	.01
Net income	$ 3.27	$ 4.38
Dividends	$ .80	$ 1.15
Average Shares Outstanding	312,000	312,000

See notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity Capital

	Common Stock Shares	Common Stock Amount	Surplus	Undivided Profits
Balances, January 1, 1980 (as previously reported) (note 9)	260,000	$2,600,000	$4,800,000	$1,136,060
Adjustment to record effect of restatement as of January 1, 1980 (note 2)				257,580
Balances, January 1, 1980, (restated)	260,000	2,600,000	4,800,000	1,393,640
Net income for 1980 restated				1,366,942
Cash dividends — $1.38 per share ($1.15 per share after stock dividend)				(358,800)
Balances, December 31, 1980 (restated)	260,000	2,600,000	4,800,000	2,401,782
Net income for 1981				1,022,238
Cash dividends — $.96 per share ($.80 per share after stock dividend)				(249,600)
Stock dividend — 20%	52,000	520,000	1,040,000	(1,560,000)
Balances, December 31, 1981	**312,000**	**$3,120,000**	**$5,840,000**	**$1,614,420**

See notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31 1981	1980
Source of Funds		
Net income	$ 1,022,238	$ 1,366,942
Noncash charges (credits) to income:		
Premium amortization and discount accretion on investment securities	37,240	82,828
Depreciation of bank premises and equipment	185,146	161,341
Provision for loan losses	300,000	330,000
Deferred income tax	27,454	(2,496)
Net change in interest accruals	(497,583)	(181,373)
Funds provided from operations	1,074,495	1,757,242
Increase in total deposits:		
Demand deposits	(8,600,404)	(599,804)
Savings and time deposits	11,500,721	10,306,102
Increase in total deposits	2,900,317	9,706,298
Increase in funds borrowed	3,086,592	
Decrease in cash and noninterest-bearing deposits		1,459,876
Net change in other assets and liabilities		420,534
Totals	$ 7,061,404	$13,343,950
Application of Funds		
Increase in total earning assets:		
Investment securities	$ 2,758,467	$ 3,626,629
Federal funds sold	(4,050,000)	3,250,000
Loans	4,506,891	2,348,260
Increase in total earning assets	3,215,358	9,224,889
Decrease in funds borrowed		3,700,000
Increase in cash and noninterest-bearing deposits	915,334	
Net change in other assets and liabilities	819,685	
Bank premises and equipment additions	1,861,427	60,261
Cash dividends	249,600	358,800
Totals	$ 7,061,404	$13,343,950

See notes to Consolidated Financial Statements.

THE CITY OF FORT WAYNE

CITY-COUNTY BUILDING • ONE MAIN STREET • FORT WAYNE, INDIANA 46802

city plan commission

17 February 1983

Mr. Fred Baughman, Coordinator
Economic Development Commission
City-County Building - 8th Floor
One Main Street
Fort Wayne, IN 46802

Re: AWB Realty Corp.

Dear Mr. Baughman:

The property described as: Subs 1 thru 7 in N.T. Rues Sub and Lots 87 thru 96 of Original Plat are all zoned "B-3-A" General Business. A professional building is a permitted use in this district.

The City Board of Zoning Appeals, on January 27, 1983, granted AWB permission to use the property known as Lots 89, 90 and 91 in the Original Plat of the Town, for temporary unimproved off-street parking for customers and public. The approval granted by the BZA expires on May 31, 1983.

If further information is desired please identify as Case No. 1-1983-Z.

Sincerely,

Gary F. Baeten

Gary F. Baeten
Senior Planner

GFB:pb

CITY OF FORT WAYNE · KE-KI-ON-GA · INDIANA

The City of Fort Wayne

February 22, 1983

Mr. Bruce O. Boxberger
City Attorney
City-County Building
Fort Wayne, Indiana

RE: EDC Application for AWB Realty Corp.

Dear Bruce:

I have reviewed the application and the financial statements of the above named applicant.

I find no problems with these documents which should deter action by the Commission.

Sincerely,

Frank W. Heyman
City Controller

APPLICATION TO FORT WAYNE, INDIANA
ECONOMIC DEVELOPMENT COMMISSION,
FOR ECONOMIC DEVELOPMENT
REVENUE BOND FINANCING

(1) Applicant's Name

Health Care Fund

(2) Address of Applicant's Principal Office and Place of Business.

1865 North McCullough St.
P. O. Drawer C
Lima, OH 45802
(419) 227-3760

(3) Type of organization under which the Applicant does business (e.g., corporation, partnership, sole proprietorship, joint venture).

Real Estate Investment Trust

(4) Under the laws of what State is the Applicant organized?

Ohio

(5) Business or business in which applicant is engaged?

Financing and leasing of health care related facilities.

(6) Is the applicant qualified to do business in Indiana?

Yes

(7) Please list names and titles of principal operating personnel.

Bruce G. Thompson, President
Frederic D. Wolfe, Secretary
John F. Robenalt, General Counsel

(8) Please list names of all persons or firms having an ownership interest of 10% or more in the applicant.

None

(9) Please list names of any persons who are both (a) shareholders or holders of any debt obligation of the applicant; and (b) officers or members of the Economic Development Commission; or members of the Common Council of the City; or members of the Allen County Council.

None to our knowledge.

(10) Has any person listed been (a) convicted of a felony, (b) convicted of or enjoined from any violation of state or federal securities laws, or (c) a part to any consent order or entry with respect to an alleged state or federal securities law violation, in each case within ten years preceding the date of this application?

None

(11) What is applicant's net worth as of the end of the calendar or fiscal year quarter next preceding the date of the application?

$19,699,773 as of December 31, 1982. Attached and marked Exhibit A is the 1981 annual report and a copy of the unaudited financial statements as of December 31, 1982.

(12) How long has applicant been in business (a) under its present name, and (b) under any prior names? Please supply, if applicable.

a) Since 1/13/70
b) Does not apply

(13) What is the proposed amount of the bond issue?

Up to $2,000,000

(14) How are the proceeds of the issue to be used? (Itemize by category of expenditure)

Construction	$1,700,000
Financing	50,000
Bond Discount (6%)	94,500
Total Project Costs	$1,844,500
Bond	1,575,000
Equity contributed by Fund	$ 269,500

(15) If the proceeds of the issue are not estimated to be sufficient to acquire, construct and/or remodel, and equip the proposed project, itemize the additional expenditures which will be necessary and indicate the source of such funds.

Any costs in excess of bond proceeds will be paid by Health Care Fund.

(16) Where is the proposed project to be located? (Give street address and legal description as it appears on auditor's records).

The proposed site is on the north side of Washington Center Road between Sharon Drive and Rodenbeck Drive. Legal description is attached.

(17) Describe facilities to be constructed. (Provide architect's rendering if available).

An 80 bed nursing home of approximately 25,878 square feet.

(18) Is the project solely within the city limits of Fort Wayne? (If not, give the name of the township and/or other municipality in which it is located).

Yes

(19) Is the property solely within the Fort Wayne Community School District? (If not, state the name of th School District in which it is located).

Yes

(20) What is the approximate size of the tract or parcel on which the property is to be situated?

11.11 acres of leased land

(21) If the proposed project or a portion thereof is to be leased to another entity or entities, name the entity or entities and describe the portion to be leased. If no lease is contemplated, please indicate.

The Fund anticipates leasing the facility to Norman Savage.

(22) What is the nature of the business to be conducted at this location?

Comprehensive nursing care.

(23) Does existing zoning clearly permit construction and operation of the proposed project?

(a) - What is the existing zone? RA

(b) - What zone does project require? The applicant has filed a petition for a variance with the Board of Zoning appeal and is awaiting the Boards action.

(24) Will the proposed project have ready access to (a) water, and (b) sewers? If not, state how it is intended to obtain access to those utilities.

(a) Yes
(b) Yes

(25) Are septic tank or other temporary sewage treatment and disposal facilities to be used in lieu of sewers?

No

(26) Describe briefly any adverse environmental impact anticipated by reason of operation of the proposed project, with particular reference to air, noise or water pollution.

None is anticipated

(27) If the project is constructed, will any existing jobs be lost by reason of reduction or cessation of operations (a) in the City, (b) in Allen County, or (c) elsewhere in the State of Indiana?

(a) No
(b) No
(c) No

(28) Describe briefly by category the nature of the new jobs to be created.

Social Worker	Administration
Food Service	Clerical
Housekeeping	Registered Nurses
Maintenance	Practical Nurses
Activities Director	Nurses Aides
Laundry	

(29) State the number of new jobs to be created (a) immediately after the proposed facilities are place into operation, and (b) within three years thereafter.

(a) 30
(b) 60

(30) What additional annual payroll will the new jobs generate (a) immediately after the proposed facilities are placed into operation, and (b) within three years thereafter.

(a) $500,000
(b) $780,000

(31) If the proposed project would not be approved for tax-exempt financing, is there any substantial possibility that loss of existing jobs would occur in (a) the City, (b) the County, or (c) the State of Indiana? If the answer to either (a), (b) or (c) is affirmative, what would be the approximate number of jobs lost and the approximate net annual dollar amount of payroll loss?

No loss anticipated

(32) Has the proposed project been informally reviewed by bond counsel to determine whether it is in accordance with the applicable state and federal law? If so, by what firm of bond counsel?

Not at this time. We presently expect Thompson, Hine & Flory will be engaged as bond counsel.

(33) Have tentative or final arrangements been made for sale of the bonds? Describe briefly any such arrangements.

Not at this time

(34) Describe briefly the proposed method of financing. (Direct, loan, lease, sale, etc.)

Bonds will be sold to the public through the underwriter.

HEALTH CARE FUND
Name of Applicant

BY: Bruce G. Thompson
BRUCE G. THOMPSON, PRESIDENT

Dated this 31st day of January, 1983.

State name, address and phone number of person to be contacted and given notice about this applicant:

John F. Robenalt
General Counsel
Health Care Fund
1865 N. McCullough Street
P. O. Drawer C
Lima, OH 45802
(419) 229-0632

BALANCE SHEET (Unaudited)

HEALTH CARE FUND

	December 31, 1982	December 31, 1981
ASSETS		
Cash	$ 678,740	$ 232,037
Construction loans receivable from related party	6,407,089	7,123,444
Mortgage loans receivable	144,007	251,423
Construction funds held in escrow	4,991,536	2,067,097
Bond retirement funds held in escrow	647,166	226,722
Net investment in direct financing leases	58,838,986	51,623,930
Deferred loan expense	2,273,876	1,583,101
Other receivables and prepaid items	242,783	218,592
	$74,224,183	$63,326,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable and similar debt	$50,719,898	$42,784,261
Short-term notes payable to banks	2,220,000	737,750
Accounts payable and accrued expenses	1,584,512	964,668
	54,524,410	44,486,679
Shareholders' Equity:		
Shares of Beneficial Interest $1.00 par value:		
Authorized--unlimited		
Issued and outstanding--1,639,058	1,639,058	1,639,058
Capital in excess of par value	14,204,832	14,204,832
Undistributed net income	3,855,883	2,995,777
	19,699,773	18,839,667
	$74,224,183	$63,326,346

Q1

STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

HEALTH CARE FUND

	Twelve Months December 31,	
	1982	1981
Balance at beginning of period	$18,839,667	$14,693,857
Net income	3,679,286	2,974,876
Dividends paid (deduction)	(2,819,180)	(2,284,186)
Proceeds for sale of shares	-0-	3,455,120
Balance at end of period	$19,699,773	$18,839,667

Q3

STATEMENTS OF INCOME (Unaudited)

HEALTH CARE FUND

	Three Months Ended December 31,		Twelve Months December 31,	
	1982	1981	1982	1981
Income:				
Direct financing leases	$2,289,186	$1,815,804	$ 8,576,358	$6,678,489
Interest and loan fees	440,327	442,201	1,427,288	1,848,753
	2,729,513	2,258,005	10,003,646	8,527,242
Expenses:				
Interest:				
Mortgages and similar debt	1,355,185	1,063,778	5,063,876	4,083,006
Short-term borrowing	84,277	91,977	236,651	428,469
Management fees	110,156	90,779	408,810	333,303
Provision for doubtful amounts	15,946	38,365	63,783	153,462
Loan expense	84,398	105,428	308,285	377,929
Other operating expenses	96,928	62,064	242,955	176,197
	1,746,890	1,452,391	6,324,360	5,552,366
NET INCOME	$ 982,623	$ 805,614	$ 3,679,286	$2,974,876
Average number of shares outstanding	1,639,058	1,527,156	1,639,058	1,345,332
Net income per share	$ .60	$ .53	$ 2.24	$ 2.21
Dividends per share	$ .43	$ .43	$ 1.72	$ 1.66

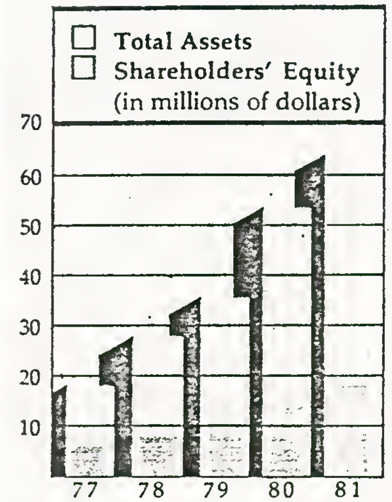
STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

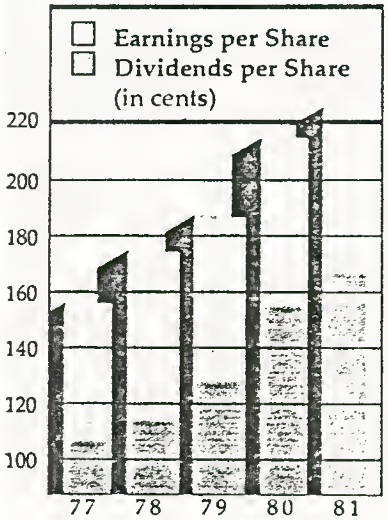
HEALTH CARE FUND

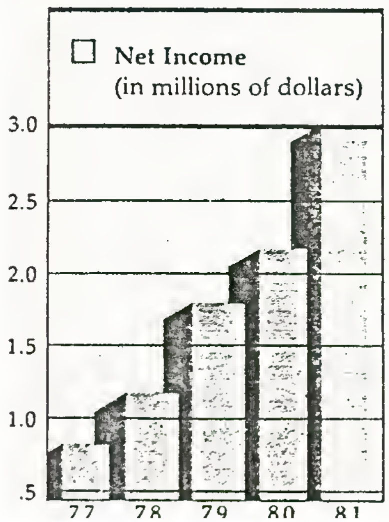
	Year Ended December 31, 1982	1981
Sources of funds from operations, less distributions to shareholders and principal payments on mortgages:		
Net income for the period	$ 3,679,286	$ 2,974,876
Cash distributions to shareholders	2,819,180	(2,284,186)
	860,106	690,690
Add (deduct):		
Provision for losses	195,686	350,243
Amortization:		
Deferred loan expense	308,285	377,929
Principal payments on mortgages and similar debt	(1,239,057)	(997,666)
Fees received in excess of income currently recognized	368,022	
Lease income in excess of cash received	(345,498)	(235,332)
SOURCES FROM OPERATIONS--NET	147,544	185,864
Other sources of funds:		
Proceeds from exercise of lease properties, less mortgages on related properties	1,646,063	
Decrease in mortgage loans receivable--net	107,416	
Increase in short-term borrowing-net	1,482,250	
Decrease in construction loans receivable--net	716,355	
Decrease in construction funds held in escrow		1,229,208
Mortgage and similar debt borrowings	14,004,470	5,460,000
Increase in accounts payable and accrued expenses	251,822	279,063
Proceeds from sale of shares		3,532,250
TOTAL OTHER SOURCES OF FUNDS	18,208,376	10,500,521
	18,355,920	10,686,385
Other dispositions of funds:		
Increase in bond retirement funds held in escrow--net	420,444	
Increase in construction funds held in escrow--net	2,924,439	
Decrease in short-term borrowings--net		162,250
Increase in mortgage loans receivable--net		53,422
Investment in direct financing leases	13,541,083	6,493,255
Increase in construction loans receivable--net		3,179,759
Loan expense, less reimbursements	999,060	512,418
Increase in other receivables and prepaid items	24,191	193,974
Expenses relating to sale of shares		77,130
TOTAL OTHER DISPOSITIONS OF FUNDS	17,909,217	10,672,208
Increase (decrease) in cash	446,703	14,177
Cash balances at beginning of year	232,037	217,860
CASH BALANCES AT END OF PERIOD	$ 678,740	$ 232,037

EXHIBIT A

Financial Highlights







	1981	1980	1979	1978	1977
Gross Revenue	$ 8,527	$ 6,245	$ 4,373	$ 3,184	$ 2,031
Net Income	2,975	2,125	1,703	1,230	819
Net Income Per Share	2.21	2.17	1.85	1.74	1.56
Cash Distributions to Shareholders	2,284	1,466	1,196	818	545
Distributions Per Share	1.66	1.57	1.28	1.18	1.12
Average Number of Shares Outstanding	1,345	980	920	707	524
Mortgage Notes Payable and Similar Debt	42,784	38,322	24,492	19,337	11,076
Shareholders' Equity	18,840	14,694	10,384	7,749	6,654
Net Investment in Direct Financing Leases	51,624	45,246	29,899	21,333	15,112
Total Assets	63,326	54,601	36,477	29,617	19,195

In thousands, except per share data.

NASDAQ Trading Symbol:
HCFDS

Letter To Shareholders

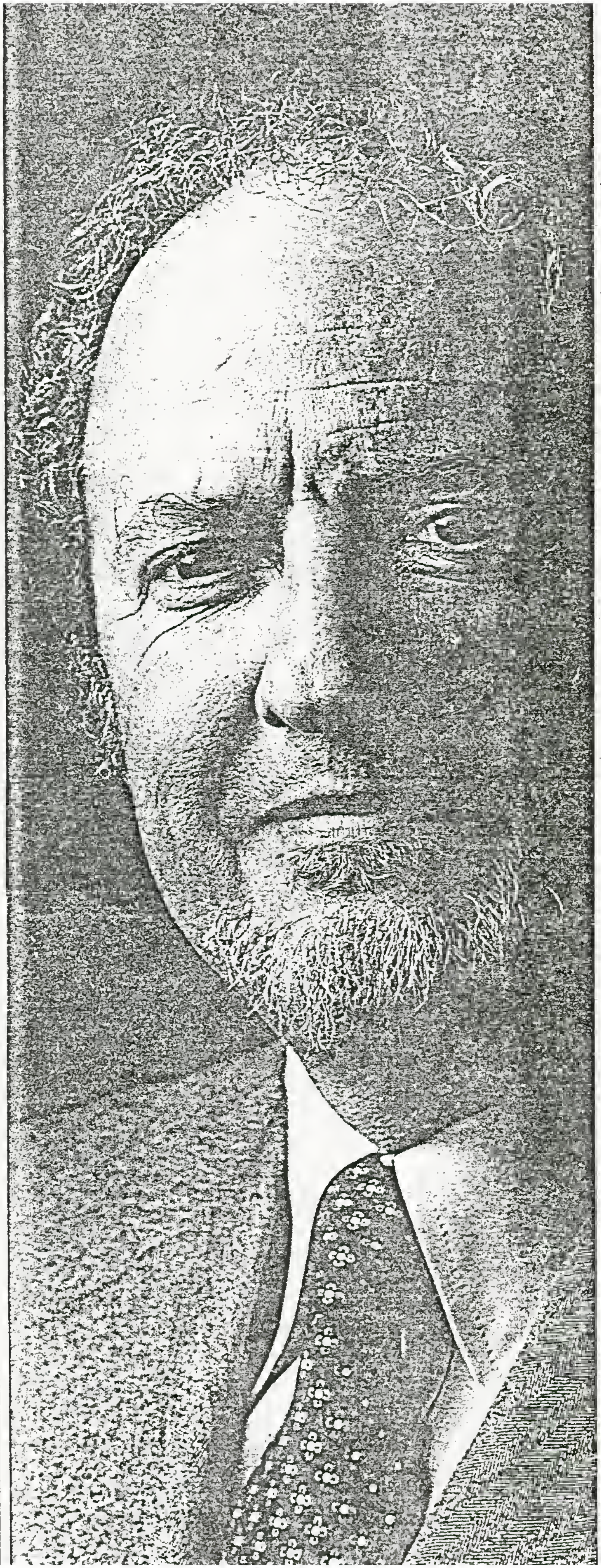
Financing health care facilities is our business. Our focus on this special niche in the business world again proved rewarding. For 1981, net income was $2,974,876 or $2.21 per share, up from $2.17 in 1980. Net income increased 40% over last year on revenues which rose 37%, from $6.2 million to $8.5 million. In comparing 1981 with 1977, performance figures are attractive:

Operating Trends

The short-term construction financing activities of the Fund did not match the growth rate or volume of previous years due to difficulties and delays in both financing and obtaining certificates of need for new nursing home projects. Revenue from interest and loan fees increased 15.7% in 1981 and accounted for 21.7% of total revenue. In 1980, interest and loan fees had increased 72.1% and accounted for 25.6% of the total revenue. Paradoxically, the reasons for this slowdown have nothing to do with the demand for long-term care beds and retirement units. A permanent shift in attitudes away from the in-home care of elderly citizens is becoming evident. The age 75 and over segment of the population is projected to increase 55% during the next 20 years. Over 250,000 new nursing home beds will be required to meet this demand by 1990. Any business in a position to finance the development of only 5-10% of these beds would have its order board full for the next eight years.

	Increase	1977	1981
		In thousands, except per share data	
Revenues	320%	$ 2,031	$ 8,527
Net income	263%	819	2,975
Total assets	230%	19,195	63,326
Shareholders' equity	183%	6,654	18,840
Earnings per share	42%	1.56	2.21
Dividends per share	48%	1.12	1.66

The return on shareholders' equity was 18.9% in 1981 compared to 15.1% in 1977, accomplished without business acquisitions or extraordinary asset sales, although both options will be considered when opportunities arise.



The real reason for the slowdown is inflation, or more correctly, the severe measures adopted by various levels of government to control inflation. The Medicaid program supports almost two-thirds of all patients in nursing homes, and recent legislation has been directed at controlling the growth of Medicaid expenditures. Health planning authorities have cooperated in many states by limiting the number of new projects being approved. And the Federal Reserve Board's tight money policies have restricted traditional flows of long-term mortgage financing to a trickle. In view of the underlying demographics, these obstacles have to be viewed as temporary, but they are nonetheless real, and strategy to maintain a level of growth consistent with profitability must be worked out.

Revenues from the business of leasing nursing homes and related health care properties in 1981 grew 43.7% over the previous year even though 558 fewer beds were added to the portfolio. Finance lease income accounts for 78.3% of all revenue at this juncture, up from 74.4% in 1980. Our rent collections on this portfolio have been quite good, especially when compared to other industries, illustrating the reliability of the lessees' Medicaid receivables. New leases are being written at higher effective yields for the Fund to keep pace with more expensive long-term financing. This necessarily requires us to be more selective in choosing lessees. To cover current high money rates and the routine operating costs of the Fund, each investment is meticulously analyzed. Through a combination of lease rents and escalation clauses, adequate returns on investment are obtainable in the health care industry. However, long-term financing in the bond market is shifting from 15-20 years to 10-15 years in response to economic uncertainty. Care must be exercised to avoid cash flow pinches in future years caused by the trend to shorter maturities. The standard leasing terms have been revised to conform new leases to the expectation of shorter maturities on underlying debt. With the help of a general recovery from the present business recession, which some forecast to commence mid-1982, we hope to look back on our $6.5 million investment in direct financing leases during 1981 as a low point in the 80's.

Financial Developments

During the year, our short-term bank lines of credit used for construction lending and temporary portfolio investments were expanded from $3.9 to $5.5 million at four regional banks. On the equity side, in October 1981, the Fund completed its tenth offering of shares to the public, adding $3.5 million to shareholders' equity. At year-end, the debt to equity ratio stood at a conservative 2.36 to 1. The Board of Trustees increased the quarterly dividend to an annual rate of $1.72 per share during the year. This is the tenth annual dividend increase in as many years, and provides a yield of close to 15% for our shareholders based on a trading price of $11.50 per share. As matters turned out, $.0933 of the 1981 dividend constituted a non-taxable return of capital to shareholders since total dividends for the year exceeded current and undistributed income computed for federal income tax purposes.

The primary issue of 1981 remains with us: locating reliable sources of long-term funds at reasonable rates to purchase and carry health care properties in today's choppy financial market. Despite the unknown outcome of various government moves to deregulate the health care system, and economic circumstances that are unfamiliar even to the financial community, we remain optimistic.

Though these are troubled times, we are confident that through sound management, conservative ratios and thorough analysis, the company will continue its strong pattern of growth. I am glad to have your friendship and support.

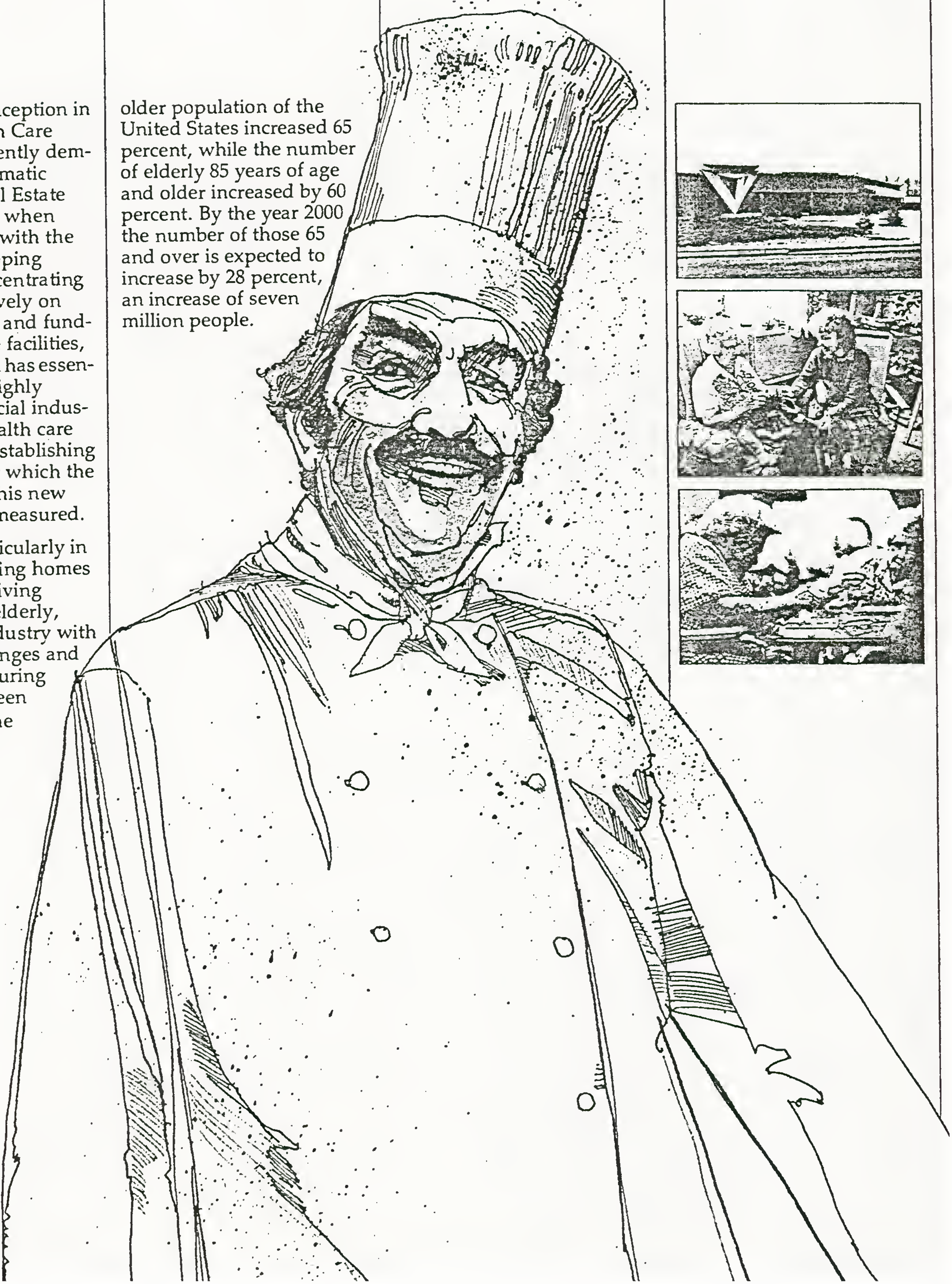
Sincerely,
HEALTH CARE FUND

Bruce G. Thompson
Chairman and President

Evolution of an Industry

Since its inception in early 1971, Health Care Fund has consistently demonstrated the dramatic potential of a Real Estate Investment Trust when properly aligned with the needs of a developing industry. By concentrating its efforts exclusively on the development and funding of health care facilities, Health Care Fund has essentially created a highly specialized financial industry within the health care industry, while establishing the standards for which the performance of this new industry can be measured.

Health care, particularly in the areas of nursing homes and congregate living facilities for the elderly, represents an industry with significant challenges and opportunities. During the decade between 1970 and 1980, the 65 years and older population of the United States increased 65 percent, while the number of elderly 85 years of age and older increased by 60 percent. By the year 2000 the number of those 65 and over is expected to increase by 28 percent, an increase of seven million people.



The group 75 and older is likely to increase by more than half. The number of people 85 and over is expected to increase by 64 percent.*

Just as the diverse needs of these new older citizens will increase by the year 2000, so will the tasks of the private sector of the health care industry in conjunction with local, state and federal government agencies. Careful planning in the development and funding of facilities, equitable government social programs, and a reasonable regulatory environment will allow this industry consistent growth as it strives to meet the needs of its inevitable market.

Health Care Fund has been instrumental in the development of financing techniques that will lead the health care industry long into the future. It is one of the few Real Estate Investment Trusts that has seized a unique opportunity and then supported it with more than a decade of superior financial performance.

The headquarters of Health Care Fund at Lima, Ohio reflect the new, positive changes in attitude toward care for the elderly in American society.

This changing attitude is also reflected in the retirement centers and nursing home facilities of today. These facilities create a pleasing environment in which the needs and desires of residents become enjoyable activities, experiences and friendships that span generations.

* Source: *America's Elderly in the 1980's*. A publication of the Population Reference Bureau, Inc., compiled from figures supplied by the U.S. Bureau of Census.

Health Care Fund Performance

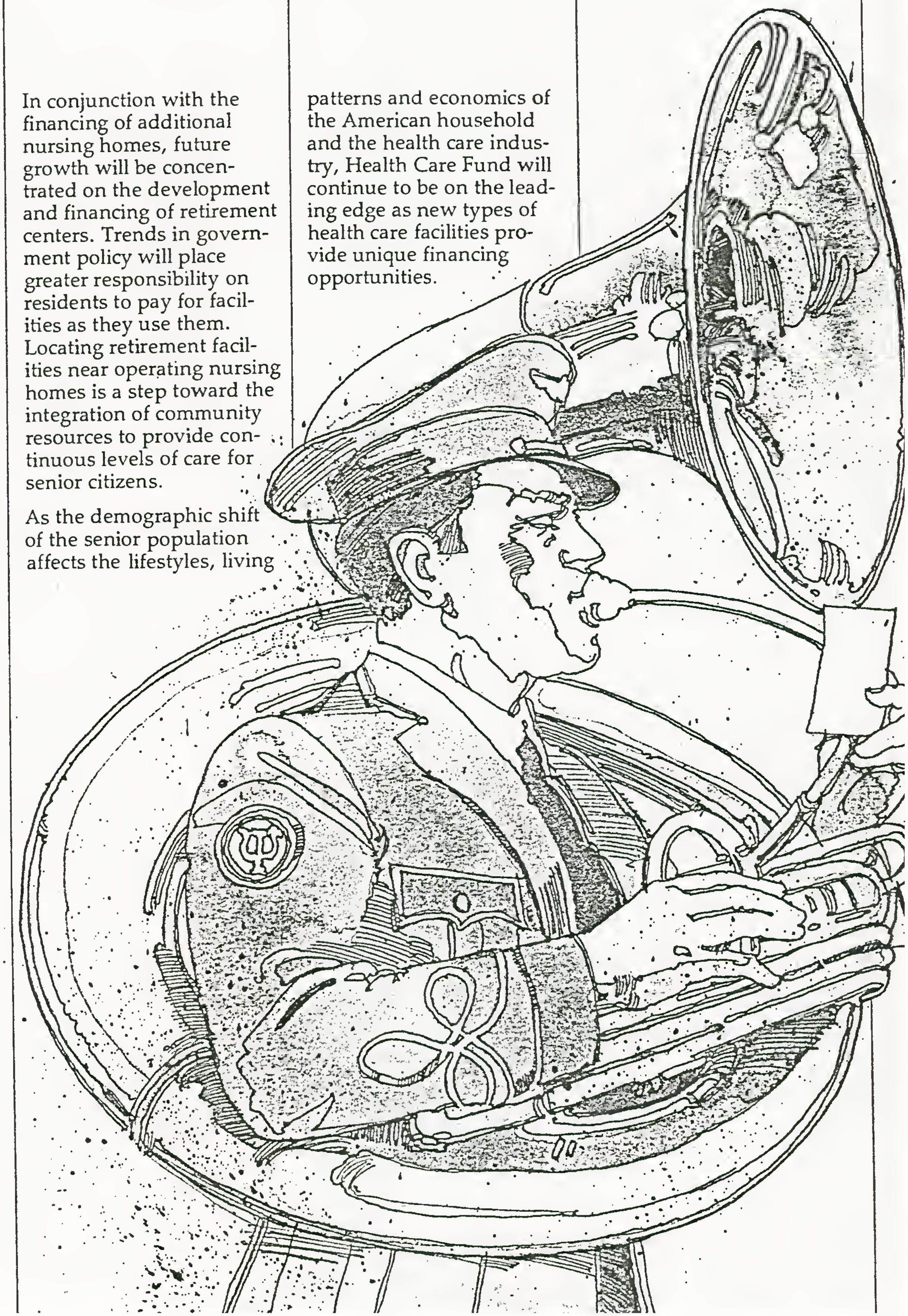
The investment and loan portfolio of Health Care Fund consists of properties in the five state area of Indiana, Missouri, Ohio, Pennsylvania and West Virginia. Opportunities for proposed investments are also being pursued in regions of the south and southwestern United States.

Health Care Fund has been an integral part in the financing of nearly 60 health care and retirement facilities. Most facilities are located in rural areas to create a more pleasant environment for residents. Generally these facilities have a capacity of 100 to 120 beds to allow for increased efficiency of management.

In addition, Health Care Fund has been instrumental in the financing of specialized treatment facilities for alcoholic, drug and mental disorders. These facilities provide care to selected patients at a fraction of the cost of a state hospital on a daily basis.

In conjunction with the financing of additional nursing homes, future growth will be concentrated on the development and financing of retirement centers. Trends in government policy will place greater responsibility on residents to pay for facilities as they use them. Locating retirement facilities near operating nursing homes is a step toward the integration of community resources to provide continuous levels of care for senior citizens.

As the demographic shift of the senior population affects the lifestyles, living patterns and economics of the American household and the health care industry, Health Care Fund will continue to be on the leading edge as new types of health care facilities provide unique financing opportunities.



Properties represented in the Health Care Fund's investment and loan portfolio –

OHIO
Bryan
Canal Winchester
Chillicothe
Columbus
Defiance
Eaton
Fremont
Gahanna
Greenville
Ironton
Kenton
Lakeview
Lancaster
Lansing
Logan
Marysville
Medina
Miamisburg
Milford
Newark
North Lima
Ottawa
Ravenna
Salem
Sandusky
Tiffin
Union City
Wadsworth
Willard
Zanesville

INDIANA
Albany
Columbus
Lebanon
Newton County
Parker

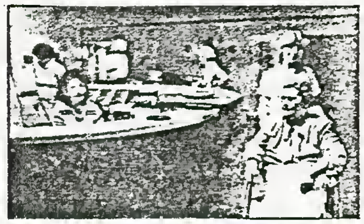
MISSOURI
Anderson
Butler
Jefferson City
Milan
St. Joseph
Sweet Springs

PENNSYLVANIA
Conneautville

WEST VIRGINIA
Ansted
Buckhannon
Dunbar
Ft. Ashby
Glenville
Hilltop
Jane Lew
Moundsville
Parkersburg

388 Nursing Home Beds in Ohio Added to Fund's Leases in 1981

Bryan Addition	88 beds
Columbus	100 beds
Eaton	100 beds
Logan Addition	50 beds
Medina	50 beds



Review of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Lease income and loan interest payments are the primary sources of funds from operations. Funds from operations are used to make dividend and debt service payments. Short-term lines are used to fund construction loans receivable on nursing home projects. Net proceeds from a sale pursuant to the exercise of a lease option and proceeds from an equity offering are also used to fund construction loans. As investments in direct financing leases continue to grow, debt payments to service long-term debt on related properties also continue to grow. If the trend toward shorter maturities for such debt continues, debt service payments will grow at a faster pace and may not be fully met out of funds from operations. When the remaining funds from operations and short-term lines of credit are insufficient to take advantage of the Fund's opportunities to purchase new lease investments, the Fund issues Shares of Beneficial Interest and leverages the offering proceeds with long-term debt to provide capital for such investments.

During the last ten years, the Fund has completed offerings of shares to the public in every year except 1975. The Fund issued shares in 1981 and 1980, which generated net proceeds of $3,455,120 and $3,650,704, respectively. The proceeds from the offerings were used to acquire lease investments, fund construction loans, and reduce liabilities. These regular share issues enabled the Fund to maintain a favorable liquidity position and acquire direct financing lease investments.

The equity resources of the Fund have been leveraged with long-term mortgage notes, bonds, and debentures issued to provide permanent financing for the lease investments. Additional borrowings on long-term debt totalled $5,460,000 and $14,550,000 in 1981 and 1980, respectively. The decline in borrowings reflects the fact that fewer investment opportunities were available to the Fund because long-term financing at beneficial rates proved difficult to obtain.

The Fund's ability to attract equity capital has been due in part to high cash dividends consistently paid over the last eleven years. Dividends paid have averaged 14.2% of market value during the last two years.

The Fund classified $.0933 per share of its 1981 dividend as a return of capital to the shareholders. The return was due to dividends being paid at a level exceeding current and undistributed income for federal income tax purposes during the year under review. It is anticipated that a portion of the 1982 dividend will be similarly classified unless earnings for tax purposes are augmented by gains from the exercise of lease options. At December 31, 1981 there were nine lease options eligible for exercise; however, financing at reasonable rates is usually a prerequisite for a lessee purchasing the property.

Results of Operations

The Fund concentrates on two types of financing activities for the health care industry: short-term construction loans and long-term leases which activities accounted for 21.7% and 78.3% of 1981 revenue, respectively. Both types of financing have been directed primarily at nursing homes. Consideration has been given to related types of medical properties, such as alcoholic treatment centers, homes for the mentally retarded, and congregate or independent living facilities for retired citizens. However, the bulk of the Fund's revenue for the next few years is expected to continue to result from the financing of nursing homes offering long-term care to the elderly and infirm.

In comparing the year ended December 31, 1981 with 1979, overall net income rose 74.7% or $1,272,329. The increase in construction lending activities reflects the ability of the Fund to maintain yields on construction loans above its incremental costs used to fund such loans. Revenues from lease financing reflect the $21,724,512 (72.7%) increase in investment in leases during the two-year period. During 1980, 946 new beds were added, while in 1981 new beds totalled 388; the 59% decrease was due to delays in securing long-term financing and certificates of need. The demand for long-term care beds in the Fund's market area will not be adequately filled until long-term financing is available at lower rates.

As explained above, substantial increases in lease investments are usually accompanied by similar increases in long-term debt: for example, mortgage notes and similar debt increased $18,291,818 (74.7%) during the two-year period ended December 31, 1981. Related interest expense in 1981 increased $2,035,264 (99.4%) over 1979. The substantial increases in income from lease financing have thus been significantly offset by increased borrowing costs.

Impact of Inflation and Changing Prices

Inflation is causing steadily higher interest rates on long-term financing. Lease terms have to be increased and this causes the Manager to be more selective choosing lessees. Eighty-eight percent of the Fund's invested assets are believed by the Manager to be profitably yet conservatively invested in direct financing leases. Adequate investment opportunities should be available in 1982 barring a significant increase in interest rates.

The other 12% of the Fund's invested assets are evidenced by construction mortgages. The Fund utilizes short-term borrowings to fund a portion of these construction loans until permanent financing is obtained. The interest expense on short-term borrowings is a function of the prime rate, hence the Fund experienced high interest costs during 1981. The Fund, however, passed this increased cost on to the borrower by tying interest on the construction loans to prime and adding a financing margin. Moreover, a significant amount of the Fund's equity, approximately $3 million on December 31, 1981, is employed to fund construction loans; loans so funded yield higher margin spreads as the prime rate rises.

Balance Sheets

	December 31 1981	1980
Assets		
Cash	$ 232,037	$ 217,860
Construction loans receivable from related party – Note B	7,123,444	3,943,685
Mortgage loans receivable	251,423	198,001
Construction funds held in escrow	2,067,097	3,196,138
Bond retirement funds held in escrow	226,722	326,889
Net investment in direct financing leases – Note C	51,623,930	45,245,586
Deferred loan expense	1,583,101	1,448,612
Other receivables and prepaid items	218,592	24,618
	$63,326,346	$54,601,389
Liabilities and Shareholders' Equity		
Liabilities:		
Mortgage notes payable and similar debt – Note D	$42,784,261	$38,321,927
Short-term notes payable to banks – Note E	737,750	900,000
Accounts payable and accrued expenses	964,668	685,605
Total Liabilities	44,486,679	39,907,532
Shareholders' Equity		
Shares of Beneficial Interest, $1.00 par value: Authorized – unlimited Issued and outstanding – 1,639,058 shares in 1981 and 1,284,058 shares in 1980	1,639,058	1,284,058
Capital in excess of par value	14,204,832	11,104,712
Undistributed net income – Note F	2,995,777	2,305,087
	18,839,667	14,693,857
Commitments – Note B		
	$63,326,346	$54,601,389

See notes to financial statements

Statements of Shareholders' Equity

	Shares of Beneficial Interest	Capital in Excess of Par Value	Undistributed Net Income	Total
Balances at January 1, 1979	$ 714,058	$ 5,895,669	$ 1,139,262	$ 7,748,989
Proceeds from sale of 220,000 shares	220,000	1,969,000		2,189,000
Expenses relating to issuance of shares		(60,661)		(60,661)
Net income for the year ended December 31, 1979			1,702,547	1,702,547
Cash dividends paid – $1.28 a share			(1,195,594)	(1,195,594)
Balances at December 31, 1979	**934,058**	**7,804,008**	**1,646,215**	**10,384,281**
Proceeds from sale of 350,000 shares	350,000	3,377,500		3,727,500
Expenses relating to issuance of shares		(76,796)		(76,796)
Net income for the year ended December 31, 1980			2,125,343	2,125,343
Cash dividends paid – $1.57 a share			(1,466,471)	(1,466,471)
Balances at December 31, 1980	**1,284,058**	**11,104,712**	**2,305,087**	**14,693,857**
Proceeds from sale of 355,000 shares	355,000	3,177,250		3,532,250
Expenses relating to issuance of shares		(77,130)		(77,130)
Net income for the year ended December 31, 1981			2,974,876	2,974,876
Cash dividends paid – $1.66 a share – Note F			(2,284,186)	(2,284,186)
Balances at December 31, 1981	**$ 1,639,058**	**$14,204,832**	**$2,995,777**	**$18,839,667**

Statements of Income

	Year Ended December 31 1981	1980	1979
Income – Notes G and H:			
Direct financing leases	$6,678,489	$4,646,836	$3,444,598
Interest and loan fees	1,848,753	1,597,918	928,672
	8,527,242	6,244,754	4,373,270
Expenses:			
Interest:			
Mortgages and similar debt	4,083,006	3,083,400	2,047,742
Short-term borrowings	428,469	343,271	161,327
Management fees – Note H	333,303	240,091	195,996
Provision for doubtful amounts	153,462	85,661	62,209
Loan expense	377,929	245,824	121,594
Other operating expenses	176,197	121,164	81,855
	5,552,366	4,119,411	2,670,723
Net Income	**$2,974,876**	$2,125,343	$1,702,547
Average number of shares outstanding	1,345,332	979,923	919,592
Net income per share	**$2.21**	$2.17	$1.85

( ) Denotes deduction
See notes to financial statements

Statements of Changes in Financial Position

	Year Ended December 31		
	1981	1980	1979
Sources of funds from operations, less distributions to shareholders and principal payments on mortgages:			
Net income for the year	$ 2,974,876	$ 2,125,343	$ 1,702,547
Cash distributions to shareholders	(2,284,186)	(1,466,471)	(1,195,594)
	690,690	658,872	506,953
Provision for losses	350,243	272,631	233,202
Amortization – deferred loan expense	377,929	245,824	121,594
Principal payments on mortgages and similar debt	(997,666)	(720,516)	(451,430)
Lease income in excess of cash received	(235,332)	(218,830)	(202,764)
Sources from Operations – Net	185,864	237,981	207,555
Other sources of funds:			
Decrease in construction loans receivable – net		1,010,140	512,186
Decrease in mortgage loans receivable – net		156,827	53,410
Decrease in funds held in escrow	1,229,208		1,138,822
Decrease in other receivables and prepaid items		81,338	
Proceeds from sale of shares	3,532,250	3,727,500	2,189,000
Mortgage and similar debt borrowings	5,460,000	14,550,000	6,160,000
Increase in accounts payable and accrued expenses	279,063	310,412	218,342
Proceeds from exercise of lease options, less mortgages on related properties			745,479
Total Other Sources of Funds	10,500,521	19,836,217	11,017,239
	10,686,385	20,074,198	11,224,794
Other dispositions of funds:			
Increase in funds held in escrow		3,177,283	
Investment in direct financing leases	6,493,255	15,399,969	9,894,758
Loan expense	512,418	1,072,826	277,253
Increase in other receivables and prepaid items	193,974		22,525
Increase in construction loans receivable – net	3,179,759		
Increase in mortgage loans receivable – net	53,422		
Decrease in short-term borrowings – net	162,250	325,000	1,150,000
Expenses relating to sale of shares	77,130	76,796	60,661
Total Other Dispositions of Funds	10,672,208	20,051,874	11,405,197
Increase (decrease) in cash	14,177	22,324	(180,403)
Cash balances at beginning of year	217,860	195,536	375,939
Cash Balances at End of Year	$ 232,037	$ 217,860	$ 195,536

( ) Denotes deduction
See notes to financial statements

Notes to Financial Statements

Note A – Accounting Policies and Related Matters

Leases: Properties owned by the Fund are leased. The leases are accounted for by the direct financing method. The leases provide for payment of all taxes, insurance, and maintenance by the lessees. The leases are for a term of 20 years and most lessees have an option to purchase the properties after a period of five years. Option prices range from 100% to 121% of the Fund's original cost of the property. Income from direct financing leases is recorded based upon the implicit rate of interest over the lease term. This income is greater than the amount of cash received during the first half of the lease term. An allowance has been provided, in addition to the allowance for doubtful amounts, to reduce the net investment in direct financing leases to an amount not in excess of the respective option prices.

Allowance for Doubtful Amounts: An allowance for doubtful amounts has been established to provide for lease payments which may become uncollectible.

Deferred Loan Expenses: Deferred loan expenses are costs incurred in acquiring mortgages and issuing bonds, and are amortized by the straight-line method over the period from the beginning of the lease term to the earliest option exercise date.

Loan Fees: Loan fee income represents the "points" charged on construction loans receivable and is recognized over the respective periods that the construction loans are outstanding.

Income Tax: No provision has been made for federal income taxes since the Fund has elected to be treated as a real estate investment trust under the applicable provisions of the Internal Revenue Code, and the Fund believes that it has met the requirements for qualification as such for each taxable year. See Note F.

Net Income Per Share: Net income per share has been computed by dividing net income by the weighted daily average number of shares outstanding.

Note B – Construction Loans Receivable

The Fund makes short-term construction loans to a related party as medical facilities are being developed. If the Fund has not arranged permanent long-term financing, interest is charged at a rate 2% over the New York prime rate but not less than ¼% over the Fund's cost of borrowing after adjustment for compensating balances. If the Fund has arranged permanent long-term financing, interest is charged at a rate ¾% over the Fund's cost of such permanent financing. In addition to the interest described, the Fund receives loan fees (points) of 2% per annum of the principal amount of the loans.

A summary of the activity relating to construction loans receivable and other information are summarized below:

	Year Ended December 31 1981	1980
Balances at beginning of year	$ 3,943,685	$ 4,953,825
Additional loans	8,803,055	10,281,468
Principal payments (deductions)	(5,623,296)	(11,291,608)
Balances at end of year	$ 7,123,444	$ 3,943,685

	December 31 1981	1980
Total construction loan commitments:		
Dollars	$10,911,900	$10,398,790
Facilities	10	10
Construction loan commitments for which permanent financing has been arranged:		
Dollars	$ 8,640,050	$ 5,934,040
Facilities	7	6

Note C – Investment in Direct Financing Leases

The following are the components of the net investment in direct financing leases.

	December 31 1981	1980
Total minimum lease payments receivable – (1)	$142,574,937	$127,937,454
Estimated unguaranteed residual values of leased properties	20,782,311	18,462,433
Unearned income	(110,459,551)	(100,230,777)
Allowance to reduce certain leases to option prices	(821,311)	(624,530)
Allowance for doubtful amounts	(452,456)	(298,994)
Net investment in direct financing leases	$ 51,623,930	$ 45,245,586

(1) The leases contain an option to purchase the leased property. Total minimum lease payments are computed assuming that the option will not be exercised before the end of the lease term.

Note C – Investment in Direct Financing Leases, continued.

At December 31, 1981, future minimum lease payments receivable under direct financing leases for the succeeding five years are as follows:

1982	$7,242,078
1983	7,378,587
1984	7,517,577
1985	7,656,567
1986	7,822,467

A summary of the activity relating to net investment in direct financing leases is as follows:	Year Ended December 31 1981	1980
Balances at beginning of year	$45,245,586	$29,899,418
Property interests acquired and accounted for by the direct financing method	6,493,255	15,399,969
Lease income in excess of cash received	235,332	218,830
Provision for losses	(350,243)	(272,631)
Balances at end of year	$51,623,930	$45,245,586

( ) Denotes deduction

Note D – Mortgage Notes Payable and Similar Debt

Substantially all properties owned and leased by the Fund are mortgaged. The following information relates to mortgage notes payable and similar debt:

	December 31 1981	1980
Mortgage loans, collateralized by 29 medical facilities, interest from 9¼% to 12½%, maturing at various dates to 2002	$16,653,926	$17,105,954
Notes payable related to industrial revenue bonds, collateralized by medical facilities – 18 in 1981 and 14 in 1980, interest from 8¼% to 15% in 1981 and 8¼% to 12½% in 1980, maturing at various dates to 2001	20,065,133	14,839,508
Debentures, general obligations of the Fund, interest from 11% to 12¾%, maturing at various dates to 1987	2,401,000	2,573,000
Total Long-Term Debt	39,120,059	34,518,462
Lease obligations under revenue bonds, collateralized by 4 medical facilities, with interest from 5¾% to 9½%, maturing at various dates to 2000	3,664,202	3,803,465
Totals	$42,784,261	$38,321,927

At December 31, 1981, the annual payments on long-term debt for the succeeding five years are as follows:

Year Ending December 31	Principal	Interest	Total
1982	$1,382,376	$4,390,089	$5,772,465
1983	1,482,694	4,249,949	5,732,643
1984	1,623,267	4,100,349	5,723,616
1985	2,561,740	3,934,430	6,496,170
1986	1,798,320	3,668,121	5,466,441

A summary of the activity relating to mortgage notes payable and similar debt is as follows:

	Year Ended December 31 1981	1980
Balances at beginning of year	$38,321,927	$24,492,443
Additional borrowings	5,460,000	14,550,000
Principal payments (deductions)	(997,666)	(720,516)
Balances at end of year	$42,784,261	$38,321,927

Note E – Short-Term Notes Payable

The notes payable to banks are borrowings under line of credit agreements with three banks aggregating $5,500,000. The average interest rate on these borrowings was 16.25% at December 31, 1981 (21.5% at December 31, 1980).

The following information relates to aggregate short-term debt:	Year Ended December 31 1981	1980
Maximum amount outstanding at any month-end	$4,165,000	$3,700,000
Average amount outstanding (total of daily principal balances divided by days in year)	2,365,920	2,273,880
Weighted average interest rate (actual interest expense on short-term debt divided by average short-term debt outstanding	17.8%	15.1%

In connection with these credit lines, the Fund maintains average compensating balances based upon bank ledger balances adjusted for uncollected funds equal to 15% of average short-term borrowings at two of the banks and an amount equal to 15% of debt outstanding or 10% of the line of credit at the remaining bank. The Fund maintains compensating balances in demand deposit accounts which also serve as minimum operating cash balances and as compensation to banks for their account handling functions and other services. The demand deposit accounts are not restricted as to withdrawal. Based upon outstanding borrowings for the year ended December 31, 1981, the Fund should have maintained average compensating balances of approximately $317,000 ($341,000 during 1980), which stated in terms of the Fund's book cash balances is approximately $237,000 ($235,000 during 1980). The difference is attributable to average uncollected funds and float. During 1981, the Fund maintained average book cash balances of approximately $273,000 ($175,000 during 1980).

Note F – Undistributed Net Income

The Fund reports its net income for federal income-tax purposes using the operating method of accounting for leases. In order to continue to qualify as a real estate investment trust for federal income-tax purposes, 95% of such net income must be distributed to shareholders. Undistributed net income for federal income-tax purposes amounted to $261,851 at December 31, 1980. Cash dividends paid to shareholders during 1981 exceeded net income for federal income-tax purposes for 1981 and previously undistributed net income, resulting in a non-taxable return of capital amounting to $152,888 or $.0933 a share for those shares outstanding on November 6, 1981 (record date). The principal reason for the difference between undistributed net income for federal income-tax purposes and financial-statement purposes is the use of different methods of accounting for leases.

Note G – Industry and Sources of Income

The Fund is predominantly engaged in the leasing and financing of medical properties in domestic markets. Income of an amount greater than ten percent of total income was derived from one borrower. The borrower, a related party, provided $1,402,827, $1,321,527, and $815,288 or interest and loan fee income in 1981, 1980, and 1979, respectively.

Note H – Management Agreement and Transactions with Related Parties

The Fund has entered into a Management Agreement with First Toledo Corporation (the "Manager"). F.D. Wolfe and B.G. Thompson, two of the Fund's eight trustees, are officers and co-owners of the Manager. The Fund accrues a fee to the Manager at a monthly rate of 1/10 of 1% of the Fund's net assets, as defined in the Management Agreement. Further, the Manager is entitled to an annual incentive fee equal to 10% of the amount by which net profits exceed 10% of the monthly average net worth of the Fund. Incentive fees of $153,101, $113,265, and $80,328 were accrued in 1981, 1980, and 1979, respectively.

In addition, Messrs. Wolfe and Thompson are related to various companies: a) from which the Fund has purchased medical properties totaling $6,493,255 and $15,399,969 in 1981 and 1980, respectively, and has accounted for such purchases under the direct financing lease method (see Note C); b) to which the Fund has made construction loans yielding interest and loan fee income (see Notes B and G); and c) to which the Fund has leased a medical property providing $100,197, $100,328, and $100,212 of direct financing lease income in 1981, 1980, and 1979, respectively. In accordance with the Declaration of Trust under which the Fund was created, such transactions were approved by a majority of independent trustees.

Report of Independent Auditors

Shareholders and Trustees
Health Care Fund
Lima, Ohio

We have examined the balance sheets of Health Care Fund as of December 31, 1981 and 1980, and the related statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Health Care Fund at December 31, 1981 and 1980, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Toledo, Ohio
February 12, 1982

Market and Distribution

The Fund's shares are traded over the counter under the symbol HCFDS and there were 2,295 shareholders of record as of December 31, 1981. In addition to dividends per share, the following table lists the bid prices of the Fund's shares as reported by NASDAQ. These quotations represent prices between dealers without adjustment for retail markup, markdown or commission and do not necessarily represent actual transactions.

	1981 Bid Price			1980 Bid Price		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$12.25	$11.00	$.40	$11.00	$ 9.50	$.37
2nd Quarter	12.50	11.25	.40	12.25	9.25	.40
3rd Quarter	13.00	10.75	.43	12.50	10.75	.40
4th Quarter	11.75	10.50	.43	11.75	10.50	.40

Trustees

The Fund's Board of Trustees is composed of entrepreneurs and real estate professionals, each successful in his own right. The credentials of each Health Care Fund Trustee are indicated below. Trustees are elected annually by the shareholders. Meetings of the full board are held quarterly. Special meetings of various committees are held when required.


Bruce G. Thompson


Gregory G. Alexander


Bruce Douglas


Richard C. Glowacki


Frederic D. Wolfe


Russell R. Berman


L. Eugene Duff


Richard A. Unverferth

Directory

Trustees

Bruce G. Thompson
Chairman of the Board
President
Health Care Fund
Lima, Ohio

Frederic D. Wolfe
President
Wolfe Industries, Inc.
Lima, Ohio

Gregory G. Alexander
Attorney at Law
Toledo, Ohio

Russell R. Berman
President
Ohio Citizens Bank
Toledo, Ohio

Bruce Douglas
President
The Douglas Company
Toledo, Ohio

L. Eugene Duff
President
Duff Truck Line, Inc.
Lima, Ohio

Richard A. Glowacki
President
The Danberry Company
Toledo, Ohio

Richard A. Unverferth
President
Unverferth Manufacturing Company, Inc.
Kalida, Ohio

Officers

Bruce G. Thompson
President and Chief Executive Officer

Frederic D. Wolfe
Secretary

Committees of the Board

Audit
Gregory G. Alexander
Russell R. Berman
Richard C. Glowacki

Executive
L. Eugene Duff
Bruce G. Thompson
Richard A. Unverferth
Frederic D. Wolfe

Nominating
Gregory G. Alexander
Russell R. Berman
L. Eugene Duff

Planning
All Trustees

Independent Auditors

Ernst & Whinney
1900 Toledo Trust Building
Toledo, Ohio 43604

General Offices

Health Care Fund
1865 North McCullough Street
Lima, Ohio 45801

Investment Advisor

First Toledo Corporation
P.O. Drawer C
Lima, Ohio 45802

Legal Counsel

Shumaker, Loop and Kendrick
North Courthouse Square
1000 Jackson Street
Toledo, Ohio 43624

Transfer Agent

Ohio Citizens Bank
One Levis Square
Toledo, Ohio 43613

NASDAQ Trading Symbol: HCFDS

REPORT OF THE FORT WAYNE ECONOMIC DEVELOPMENT COMMISSION CONCERNING THE PROPOSED FINANCING OF ECONOMIC DEVELOPMENT FACILITIES FOR

Health Care Fund

Having been furnished certain data by the above applicant, and having had discussions with representatives of said applicant, the Fort Wayne Economic Development Commission now submits the following report pursuant to Indiana Code 36-7-12-1 et seq.

Description of Proposed Facilities

The project consists of the construction of an 80 bed nursing home to be located on the nosth side of Washington Center Road between Sharon Drive and Rodenbeck Drive within the City of Fort Wayne.

Estimate of Public Services Required

All public services, including water and sewage, now exist. No public facilities will be made necessary on account of the proposed facilities.

Total Project Cost

The total project cost for the purchase, construction and equipping of the facilities is estimated to be $ 2,000,000.00, including costs of issuance of the economic development revenue bonds.

Number of Jobs and Estimated Payroll

It is anticipated there will be approximately 30-60 new jobs created by this project with an estimated payroll increase of approximately $ 500,000.00 - 780,000.00 annually.

Adverse Competitive Effect

The construction of the facilities will not have an adverse competitive effect on any similar facilities already constructed or operating in or near Fort Wayne, Indiana.

Dated this 3rd day of March, 1983.

Sidney R. Sheray

Charles Henry

Timothy Borne

Phil A. Howard

The City of Fort Wayne

February 8, 1983

Mr. Bruce O. Boxberger
City Attorney
City-County Building
Fort Wayne, Indiana

RE: EDC Application for Health Care Fund

Dear Bruce:

I have reviewed the application and the financial statements of the above named applicant.

I find no problems with these documents which should deter action by the Commission.

Sincerely,

Frank W. Heyman
City Controller

INDUCEMENT RESOLUTION OF
FORT WAYNE ECONOMIC DEVELOPMENT COMMISSION
ON APPLICATION OF
HEALTH CARE FUND

WHEREAS, the City of Fort Wayne, Indiana, (the "Issuer") is authorized by Indiana Code Sec. 36-7-12 (the "Act") to issue revenue bonds for the financing of economic development facilities, the funds from said financing to be used for the acquisition, construction and equipping of said facilities, and said facilities to be either sold or leased to the user or developer; and

WHEREAS, Health Care Fund (the "Applicant"), has advised the Fort Wayne Economic Development Commission (the "Commission") and the Issuer that it proposes that the Issuer acquire and equip an economic development facility and sell and/or lease the same to the Applicant or loan proceeds of an economic development financing to the Applicant for the same, said economic development facility to be an 80 bed nursing home of approximately 25,878 square feet located on the north side of Washington Center Road between Sharon Drive and Rodenbeck Drive, Fort Wayne, Indiana, including construction, financing, bond discounts, and cost of issuance to be leased as a comprehensive nursing care center (the "Project"); and

WHEREAS, the diversification of industry and increase in job opportunities to be achieved by the acquisition of the Project will be of public benefit to the health, safety and general welfare of the Issuer and its citizens; and

WHEREAS, it would appear that the financing of the Project would be of public benefit to the health, safety and general welfare of the Issuer and its citizens or the citizens of Allen County, Indiana; and

WHEREAS, the acquisition and construction of the facility will not have an adverse competitive effect on any similar facility already constructed or operating in Allen County, Indiana.

NOW, THEREFORE, BE IT RESOLVED by the Commission as follows:

1. The Commission hereby finds and determines that the promotion of diversification of economic development and job opportunities in Fort Wayne, Indiana, is desirable to preserve the health, safety and general welfare of the citizens of the Issuer, and that it is in the public interest that the Commission and the Issuer take such action as they lawfully may to encourage economic development, diversification of industry and promotion of job opportunities in and near the Issuer.

2. The Commission hereby finds and determines that the issuance and sale of economic development revenue bonds in an amount of approximately $2,000,000.00 of the Issuer under the Act for the acquisition, construction and equipping of the Project and the sale or leasing of the Project to the Applicant or the loan of the proceeds of the revenue bonds to the Applicant, will serve the public purposes referred to above, in accordance with the Act.

3. In order to induce the Applicant to proceed with the acquisition, construction and equipping of the Project, the Commission hereby finds and determines that (i) it will take or cause to be taken such actions pursuant to the Act as may be required to implement the aforesaid financing or as it may deem appropriate in pursuance thereof; provided that all of the foregoing shall be mutually acceptable to the Issuer and the Applicant; and (ii) it will adopt such resolutions and authorize the execution and delivery of such instruments and the taking of such action as may be necessary and advisable for the authorization, issuance and sale of said economic development revenue bonds.

4. All costs of the Project which may be financed under the Act will be permitted to be

included as part of the bond issue to finance the Project, and the Issuer will sell or lease the same to the Applicant or loan the proceeds from the sale of the bonds to the Applicant for the same purposes.

5. This Resolution shall expire 180 days after the date of its adoption unless the Applicant either requests the Commission to adopt a final resolution approving closing documents or requests an extension from the Commission, which extension shall be granted upon good cause being shown.

ADOPTED this 3d day of March, 1983.

FORT WAYNE ECONOMIC DEVELOPMENT COMMISSION

Sidney R. Sheray

Timothy Borne

Charles M. Henry

Phil A. Howard

Stan Lipp

Health Care Fund

BALANCE SHEET (Unaudited)

	September 30 1982	September 30 1981
ASSETS		
Cash	$ 374,861	$ 550,503
Construction loans receivable from related party	3,545,501	7,229,832
Mortgage loans receivable	155,384	289,378
Construction funds held in escrow	280,655	956,005
Bond retirement funds held in escrow	633,415	215,096
Net investment in direct financing leases	63,941,198	49,864,348
Deferred loan expense	1,819,077	1,472,283
Other receivables and prepaid items	172,004	203,838
TOTAL ASSETS	$70,922,095	$60,781,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable and similar debt	$47,556,355	$40,388,998
Short-term notes payable to banks	2,667,800	4,165,000
Accounts payable and accrued expenses	1,275,995	943,557
TOTAL LIABILITIES	51,500,150	45,497,555
Shareholders' Equity:		
Shares of Beneficial Interest $1.00 par value: Authorized–unlimited Issued and outstanding–1,639,058 in 1982 and 1,284,058 shares in 1981	1,639,058	1,284,058
Capital in excess of par value	14,204,832	11,104,712
Undistributed net income	3,578,055	2,894,958
TOTAL SHAREHOLDERS' EQUITY	19,421,945	15,283,728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$70,922,095	$60,781,283

STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

	Nine Months Ended September 30 1982	Nine Months Ended September 30 1981
Balance at beginning of period	$18,839,667	$14,693,857
Net income	2,696,663	2,169,262
Dividends paid (deduction)	(2,114,385)	(1,579,391)
Balance at end of period	$19,421,945	$15,283,728

STATEMENTS OF INCOME (Unaudited)
HEALTH CARE FUND

	Three Months Ended September 30 1982	Three Months Ended September 30 1981	Nine Months Ended September 30 1982	Nine Months Ended September 30 1981
Income:				
Direct financing leases	$2,264,694	$1,682,148	$6,287,172	$4,862,685
Interest and loan fees	281,559	502,159	984,356	1,406,552
Purchase commitment fee	2,605	-0-	2,605	-0-
	2,548,858	2,184,307	7,274,133	6,269,237
Expenses:				
Interest:				
Mortgages and similar debt	1,339,306	1,032,215	3,708,691	3,019,228
Short-term borrowing	69,143	188,819	152,374	336,492
Management fees	98,041	78,714	298,654	242,524
Provision for doubtful amounts	15,946	38,366	47,837	115,097
Loan expense	83,755	93,905	223,887	272,502
Other operating expenses	42,297	47,648	146,027	114,132
	1,648,488	1,479,667	4,577,470	4,099,975
NET INCOME	$ 900,370	$ 704,640	$2,696,663	$2,169,262
Average number of shares outstanding	1,639,058	1,284,058	1,639,058	1,284,058
Net income per share	$ .55	$ .55	$ 1.65	$ 1.69
Dividends per share	$ .43	$ .43	$ 1.29	$ 1.23

STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

	Nine Months Ended September 30 1982	Nine Months Ended September 30 1981
Sources of funds from operations, less distributions to shareholders and principal payments on mortgages:		
Net income for the period	$ 2,696,663	$ 2,169,262
Cash distributions to shareholders	2,114,385	1,579,391
	582,278	589,871
Add (deduct):		
Provision for losses	145,988	248,959
Amortization:		
Deferred loan expense	223,887	272,502
Organization expense	243	243
Principal payments on mortgages and similar debt	(1,072,376)	(732,929)
Fees received in excess of income currently recognized	165,791	-0-
Lease income in excess of cash received	(254,129)	(141,067)
SOURCES FROM OPERATIONS–NET	(208,318)	237,579
Other sources of funds:		
Increase in short-term borrowing-net	1,930,050	3,265,000
Decrease in mortgage loans receivable–net	96,039	-0-
Decrease in construction loans receivable–net	3,577,943	-0-
Decrease in construction funds held in escrow	1,786,442	2,025,037
Mortgage and similar debt borrowings	5,844,470	2,800,000
Increase in accounts payable and accrued expenses	145,536	257,952
Decrease in other receivables and prepaid items	46,345	147,426
TOTAL OTHER SOURCES OF FUNDS	13,426,825	8,495,415
	13,218,507	8,732,994
Other dispositions of funds:		
Increase in bond funds held in escrow–net	406,693	-0-
Increase in mortgage loans receivable–net	-0-	91,377
Investment in direct financing leases	12,209,127	4,726,654
Increase in construction loans receivable–net	-0-	3,286,147
Loan expense	459,863	296,173
TOTAL OTHER DISPOSITIONS OF FUNDS	13,075,683	8,400,351
Increase (decrease) in cash	142,824	332,643
Cash balances at beginning of year	232,037	217,860
CASH BALANCES AT END OF PERIOD	$ 374,861	$ 550,503

Health Care Fund

1865 North McCullough Street • P.O. Drawer C • Lima, Ohio 45802

THIRD QUARTER REPORT TO SHAREHOLDERS

September 30, 1982

Health Care Fund

Health Care Fund

TO OUR SHAREHOLDERS:

In the first nine months of 1982, ended September 30, the Fund earned $2,696,663 or $1.65 per share, on revenues of $7,274,133. In the same period last year, earnings were $2,169,262, or $1.69 per share on revenues of $6,269,237.

In comparing the year-to-date results with those of a year ago, it may be noted that:

–income from leases increased 29% primarily due to a 20% increase in the number of nursing home beds financed.

–earnings per share were slightly less, mainly due to the dilution caused by issuing new shares in the last quarter of 1981.

–the quarterly dividend rate is $.43 per share and is paid on 355,000 more shares outstanding.

The Fund now owns 53 income-producing properties comprising 4,798 modern skilled-care beds and 16 retirement units. Total assets now exceed $70 million, up 17% since September 30, 1981.

At the end of the third quarter, the Fund held options to purchase ten health care facilities in various stages of development.

The ratio of the approximate costs of raising capital during the quarter to the capital raised was .09 to 1.

The aggregate amount of management and other fees paid to the Manager by the Trust and third parties doing business with the Trust was $385,749 for the nine months ended September 30, 1982.

The net worth of your Fund rose by $4,138,217 or 27% since September 30, 1981, as a result of $683,097 increase in undistributed earnings and net proceeds of $3,455,120 realized from a public offering of 355,000 new shares in October, 1981.

At the quarterly meeting, Trustees adopted a By-law amendment designed to implement the policy in the Declaration of Trust against involuntarily being taxed as a personal holding company with consequent loss of REIT status under the federal tax laws. The amendment has the effect of restricting the number of Fund shares held by any one owner to 9.8% of the total shares outstanding. The amendment will also help preserve the "domestically controlled" REIT status under the Foreign Investment in Real Property Tax Act of 1980, thus facilitating investments in Fund shares by overseas purchasers.

Bruce Thompson

Bruce Thompson, Chairman and President
November 15, 1982

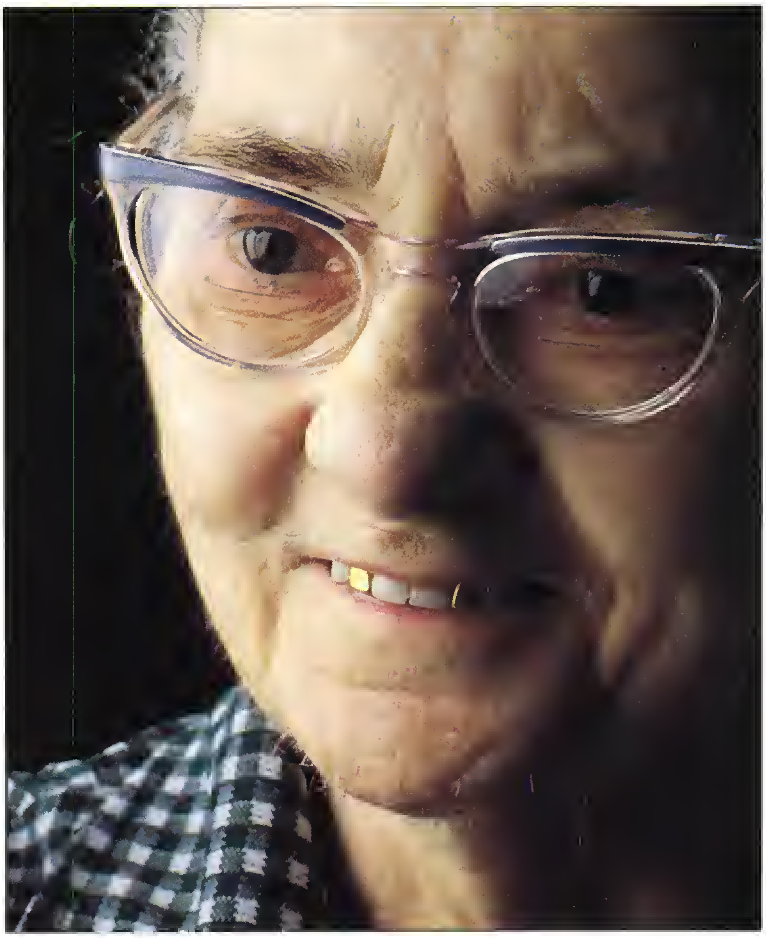
Health Care Fund

1981 Annual Report

R85-03-04

Put on ordinance

File



Letter To Shareholders

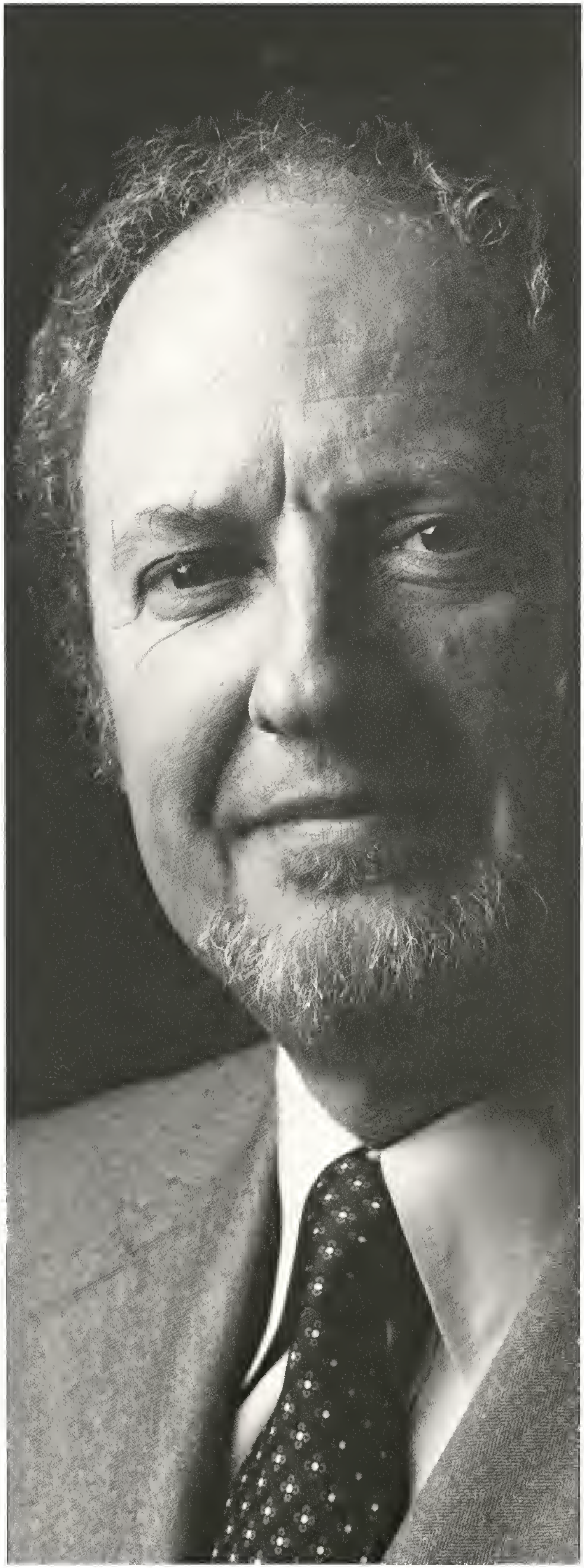
Financing health care facilities is our business. Our focus on this special niche in the business world again proved rewarding. For 1981, net income was $2,974,876 or $2.21 per share, up from $2.17 in 1980. Net income increased 40% over last year on revenues which rose 37%, from $6.2 million to $8.5 million. In comparing 1981 with 1977, performance figures are attractive:

	Increase	1977	1981
		In thousands, except per share data	
Revenues	320%	$ 2,031	$ 8,527
Net income	263%	819	2,975
Total assets	230%	19,195	63,326
Shareholders' equity	183%	6,654	18,840
Earnings per share	42%	1.56	2.21
Dividends per share	48%	1.12	1.66

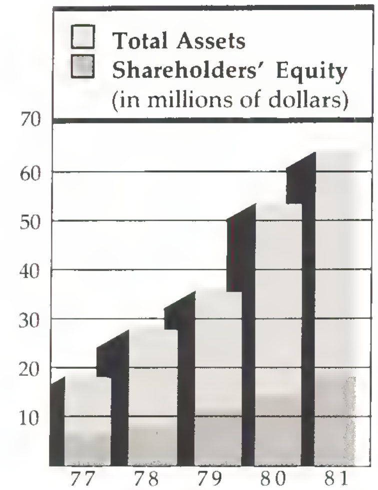
The return on shareholders' equity was 18.9% in 1981 compared to 15.1% in 1977, accomplished without business acquisitions or extraordinary asset sales, although both options will be considered when opportunities arise.

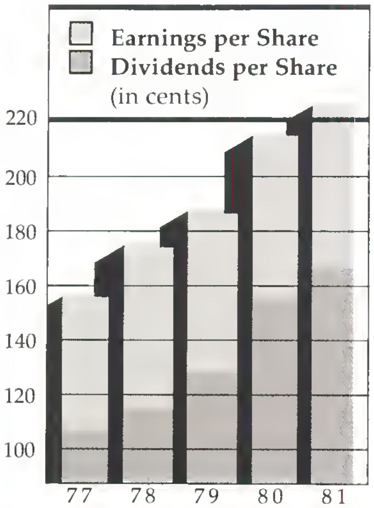
Operating Trends

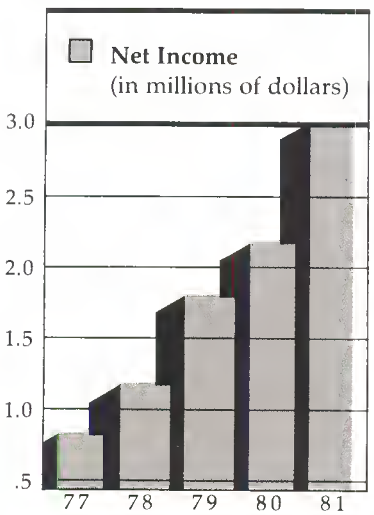
The short-term construction financing activities of the Fund did not match the growth rate or volume of previous years due to difficulties and delays in both financing and obtaining certificates of need for new nursing home projects. Revenue from interest and loan fees increased 15.7% in 1981 and accounted for 21.7% of total revenue. In 1980, interest and loan fees had increased 72.1% and accounted for 25.6% of the total revenue. Paradoxically, the reasons for this slowdown have nothing to do with the demand for long-term care beds and retirement units. A permanent shift in attitudes away from the in-home care of elderly citizens is becoming evident. The age 75 and over segment of the population is projected to increase 55% during the next 20 years. Over 250,000 new nursing home beds will be required to meet this demand by 1990. Any business in a position to finance the development of only 5-10% of these beds would have its order board full for the next eight years.



Financial Highlights







	1981	1980	1979	1978	1977
Gross Revenue	**$ 8,527**	$ 6,245	$ 4,373	$ 3,184	$ 2,031
Net Income	**2,975**	2,125	1,703	1,230	819
Net Income Per Share	**2.21**	2.17	1.85	1.74	1.56
Cash Distributions to Shareholders	**2,284**	1,466	1,196	818	545
Distributions Per Share	**1.66**	1.57	1.28	1.18	1.12
Average Number of Shares Outstanding	**1,345**	980	920	707	524
Mortgage Notes Payable and Similar Debt	**42,784**	38,322	24,492	19,337	11,076
Shareholders' Equity	**18,840**	14,694	10,384	7,749	6,654
Net Investment in Direct Financing Leases	**51,624**	45,246	29,899	21,333	15,112
Total Assets	**63,326**	54,601	36,477	29,617	19,195

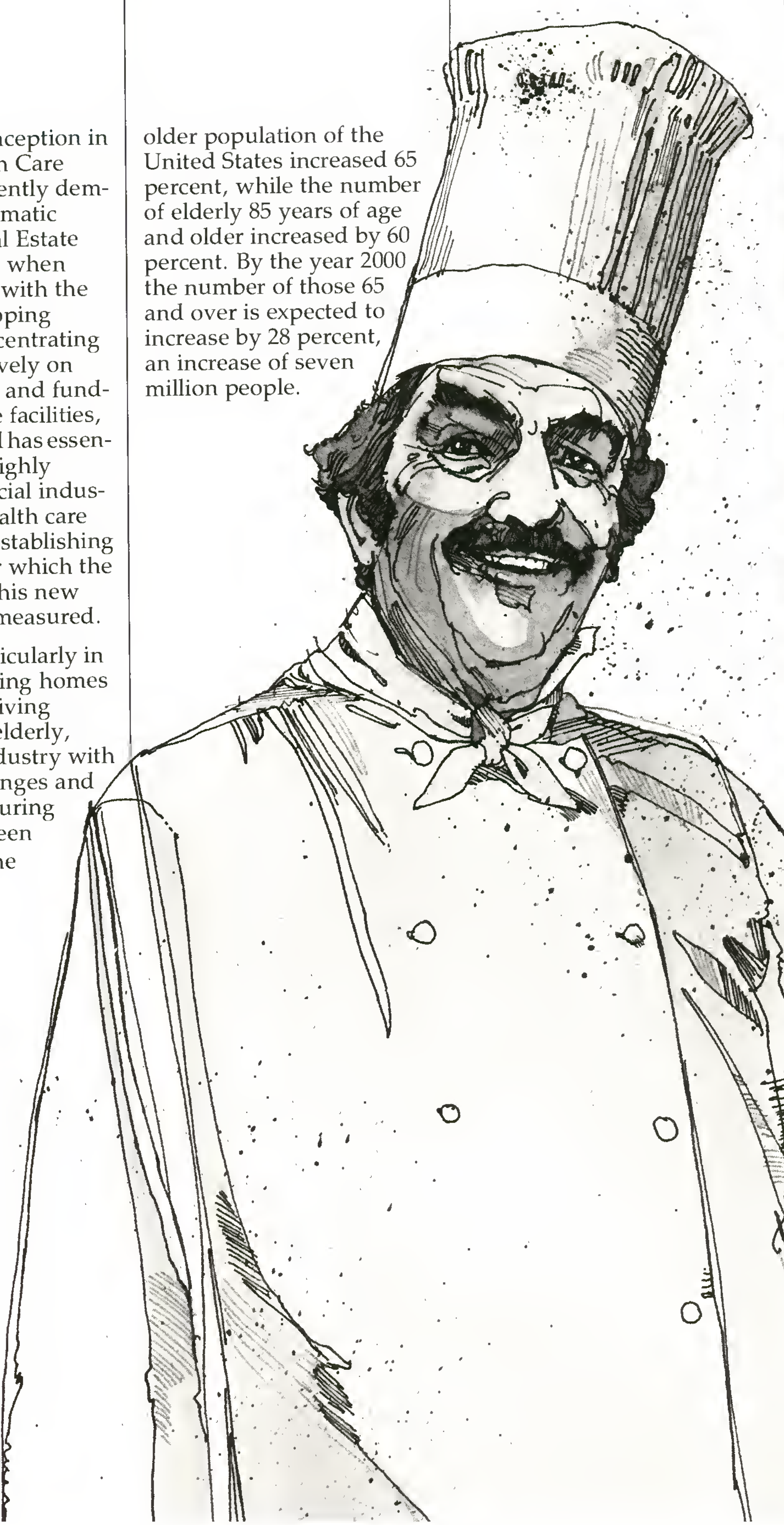
In thousands, except per share data.

NASDAQ Trading Symbol:
HCFDS

Evolution of an Industry

Since its inception in early 1971, Health Care Fund has consistently demonstrated the dramatic potential of a Real Estate Investment Trust when properly aligned with the needs of a developing industry. By concentrating its efforts exclusively on the development and funding of health care facilities, Health Care Fund has essentially created a highly specialized financial industry within the health care industry, while establishing the standards for which the performance of this new industry can be measured.

Health care, particularly in the areas of nursing homes and congregate living facilities for the elderly, represents an industry with significant challenges and opportunities. During the decade between 1970 and 1980, the 65 years and older population of the United States increased 65 percent, while the number of elderly 85 years of age and older increased by 60 percent. By the year 2000 the number of those 65 and over is expected to increase by 28 percent, an increase of seven million people.



The real reason for the slowdown is inflation, or more correctly, the severe measures adopted by various levels of government to control inflation. The Medicaid program supports almost two-thirds of all patients in nursing homes, and recent legislation has been directed at controlling the growth of Medicaid expenditures. Health planning authorities have cooperated in many states by limiting the number of new projects being approved. And the Federal Reserve Board's tight money policies have restricted traditional flows of long-term mortgage financing to a trickle. In view of the underlying demographics, these obstacles have to be viewed as temporary, but they are nonetheless real, and strategy to maintain a level of growth consistent with profitability must be worked out.

Revenues from the business of leasing nursing homes and related health care properties in 1981 grew 43.7% over the previous year even though 558 fewer beds were added to the portfolio. Finance lease income accounts for 78.3% of all revenue at this juncture, up from 74.4% in 1980. Our rent collections on this portfolio have been quite good, especially when compared to other industries, illustrating the reliability of the lessees' Medicaid receivables. New leases are being written at higher effective yields for the Fund to keep pace with more expensive long-term financing. This necessarily requires us to be more selective in choosing lessees. To cover current high money rates and the routine operating costs of the Fund, each investment is meticulously analyzed. Through a combination of lease rents and escalation clauses, adequate returns on investment are obtainable in the health care industry. However, long-term financing in the bond market is shifting from 15-20 years to 10-15 years in response to economic uncertainty. Care must be exercised to avoid cash flow pinches in future years caused by the trend to shorter maturities. The standard leasing terms have been revised to conform new leases to the expectation of shorter maturities on underlying debt. With the help of a general recovery from the present business recession, which some forecast to commence mid-1982, we hope to look back on our $6.5 million investment in direct financing leases during 1981 as a low point in the 80's.

Financial Developments

During the year, our short-term bank lines of credit used for construction lending and temporary portfolio investments were expanded from $3.9 to $5.5 million at four regional banks. On the equity side, in October 1981, the Fund completed its tenth offering of shares to the public, adding $3.5 million to shareholders' equity. At year-end, the debt to equity ratio stood at a conservative 2.36 to 1. The Board of Trustees increased the quarterly dividend to an annual rate of $1.72 per share during the year. This is the tenth annual dividend increase in as many years, and provides a yield of close to 15% for our shareholders based on a trading price of $11.50 per share. As matters turned out, $.0933 of the 1981 dividend constituted a non-taxable return of capital to shareholders since total dividends for the year exceeded current and undistributed income computed for federal income tax purposes.

The primary issue of 1981 remains with us: locating reliable sources of long-term funds at reasonable rates to purchase and carry health care properties in today's choppy financial market. Despite the unknown outcome of various government moves to deregulate the health care system, and economic circumstances that are unfamiliar even to the financial community, we remain optimistic.

Though these are troubled times, we are confident that through sound management, conservative ratios and thorough analysis, the company will continue its strong pattern of growth. I am glad to have your friendship and support.

Sincerely,
HEALTH CARE FUND

Bruce G. Thompson
Chairman and President

Health Care Fund Performance

The investment and loan portfolio of Health Care Fund consists of properties in the five state area of Indiana, Missouri, Ohio, Pennsylvania and West Virginia. Opportunities for proposed investments are also being pursued in regions of the south and southwestern United States.

Health Care Fund has been an integral part in the financing of nearly 60 health care and retirement facilities. Most facilities are located in rural areas to create a more pleasant environment for residents. Generally these facilities have a capacity of 100 to 120 beds to allow for increased efficiency of management.

In addition, Health Care Fund has been instrumental in the financing of specialized treatment facilities for alcoholic, drug and mental disorders. These facilities provide care to selected patients at a fraction of the cost of a state hospital on a daily basis.

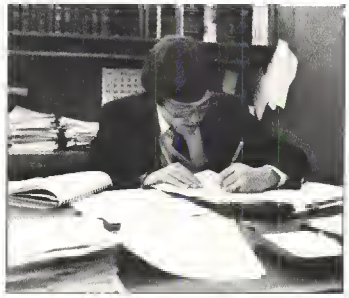
In conjunction with the financing of additional nursing homes, future growth will be concentrated on the development and financing of retirement centers. Trends in government policy will place greater responsibility on residents to pay for facilities as they use them. Locating retirement facilities near operating nursing homes is a step toward the integration of community resources to provide continuous levels of care for senior citizens.

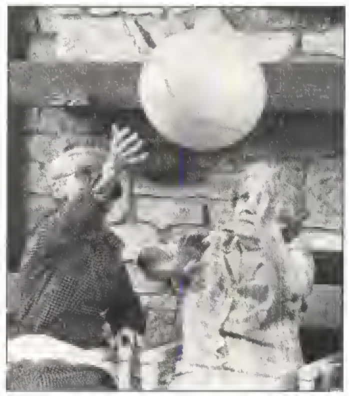
As the demographic shift of the senior population affects the lifestyles, living patterns and economics of the American household and the health care industry, Health Care Fund will continue to be on the leading edge as new types of health care facilities provide unique financing opportunities.

The group 75 and older is likely to increase by more than half. The number of people 85 and over is expected to increase by 64 percent.*

Just as the diverse needs of these new older citizens will increase by the year 2000, so will the tasks of the private sector of the health care industry in conjunction with local, state and federal government agencies. Careful planning in the development and funding of facilities, equitable government social programs, and a reasonable regulatory environment will allow this industry consistent growth as it strives to meet the needs of its inevitable market.

Health Care Fund has been instrumental in the development of financing techniques that will lead the health care industry long into the future. It is one of the few Real Estate Investment Trusts that has seized a unique opportunity and then supported it with more than a decade of superior financial performance.





The headquarters of Health Care Fund at Lima, Ohio reflect the new, positive changes in attitude toward care for the elderly in American society.

This changing attitude is also reflected in the retirement centers and nursing home facilities of today. These facilities create a pleasing environment in which the needs and desires of residents become enjoyable activities, experiences and friendships that span generations.

* Source: *America's Elderly in the 1980's.* A publication of the Population Reference Bureau, Inc., compiled from figures supplied by the U.S. Bureau of Census.

Review of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Lease income and loan interest payments are the primary sources of funds from operations. Funds from operations are used to make dividend and debt service payments. Short-term lines are used to fund construction loans receivable on nursing home projects. Net proceeds from a sale pursuant to the exercise of a lease option and proceeds from an equity offering are also used to fund construction loans. As investments in direct financing leases continue to grow, debt payments to service long-term debt on related properties also continue to grow. If the trend toward shorter maturities for such debt continues, debt service payments will grow at a faster pace and may not be fully met out of funds from operations. When the remaining funds from operations and short-term lines of credit are insufficient to take advantage of the Fund's opportunities to purchase new lease investments, the Fund issues Shares of Beneficial Interest and leverages the offering proceeds with long-term debt to provide capital for such investments.

During the last ten years, the Fund has completed offerings of shares to the public in every year except 1975. The Fund issued shares in 1981 and 1980, which generated net proceeds of $3,455,120 and $3,650,704, respectively. The proceeds from the offerings were used to acquire lease investments, fund construction loans, and reduce liabilities. These regular share issues enabled the Fund to maintain a favorable liquidity position and acquire direct financing lease investments.

The equity resources of the Fund have been leveraged with long-term mortgage notes, bonds, and debentures issued to provide permanent financing for the lease investments. Additional borrowings on long-term debt totalled $5,460,000 and $14,550,000 in 1981 and 1980, respectively. The decline in borrowings reflects the fact that fewer investment opportunities were available to the Fund because long-term financing at beneficial rates proved difficult to obtain.

The Fund's ability to attract equity capital has been due in part to high cash dividends consistently paid over the last eleven years. Dividends paid have averaged 14.2% of market value during the last two years.

The Fund classified $.0933 per share of its 1981 dividend as a return of capital to the shareholders. The return was due to dividends being paid at a level exceeding current and undistributed income for federal income tax purposes during the year under review. It is anticipated that a portion of the 1982 dividend will be similarly classified unless earnings for tax purposes are augmented by gains from the exercise of lease options. At December 31, 1981 there were nine lease options eligible for exercise; however, financing at reasonable rates is usually a prerequisite for a lessee purchasing the property.

Results of Operations

The Fund concentrates on two types of financing activities for the health care industry: short-term construction loans and long-term leases which activities accounted for 21.7% and 78.3% of 1981 revenue, respectively. Both types of financing have been directed primarily at nursing homes. Consideration has been given to related types of medical properties, such as alcoholic treatment centers, homes for the mentally retarded, and congregate or independent living facilities for retired citizens. However, the bulk of the Fund's revenue for the next few years is expected to continue to result from the financing of nursing homes offering long-term care to the elderly and infirm.

In comparing the year ended December 31, 1981 with 1979, overall net income rose 74.7% or $1,272,329. The increase in construction lending activities reflects the ability of the Fund to maintain yields on construction loans above its incremental costs used to fund such loans. Revenues from lease financing reflect the $21,724,512 (72.7%) increase in investment in leases during the two-year period. During 1980, 946 new beds were added, while in 1981 new beds totalled 388; the 59% decrease was due to delays in securing long-term financing and certificates of need. The demand for long-term care beds in the Fund's market area will not be adequately filled until long-term financing is available at lower rates.

As explained above, substantial increases in lease investments are usually accompanied by similar increases in long-term debt: for example, mortgage notes and similar debt increased $18,291,818 (74.7%) during the two-year period ended December 31, 1981. Related interest expense in 1981 increased $2,035,264 (99.4%) over 1979. The substantial increases in income from lease financing have thus been significantly offset by increased borrowing costs.

Properties represented in the Health Care Fund's investment and loan portfolio –

OHIO
Bryan
Canal Winchester
Chillicothe
Columbus
Defiance
Eaton
Fremont
Gahanna
Greenville
Ironton
Kenton
Lakeview
Lancaster
Lansing
Logan
Marysville
Medina
Miamisburg
Milford
Newark
North Lima
Ottawa
Ravenna
Salem
Sandusky
Tiffin
Union City
Wadsworth
Willard
Zanesville

INDIANA
Albany
Columbus
Lebanon
Newton County
Parker

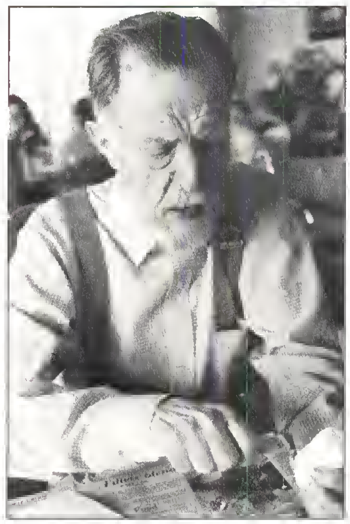
MISSOURI
Anderson
Butler
Jefferson City
Milan
St. Joseph
Sweet Springs

PENNSYLVANIA
Conneautville

WEST VIRGINIA
Ansted
Buckhannon
Dunbar
Ft. Ashby
Glenville
Hilltop
Jane Lew
Moundsville
Parkersburg

388 Nursing Home Beds in Ohio Added to Fund's Leases in 1981

Bryan Addition	88 beds
Columbus	100 beds
Eaton	100 beds
Logan Addition	50 beds
Medina	50 beds



Balance Sheets

	December 31 1981	1980
Assets		
Cash	**$ 232,037**	$ 217,860
Construction loans receivable from related party – Note B	**7,123,444**	3,943,685
Mortgage loans receivable	**251,423**	198,001
Construction funds held in escrow	**2,067,097**	3,196,138
Bond retirement funds held in escrow	**226,722**	326,889
Net investment in direct financing leases – Note C	**51,623,930**	45,245,586
Deferred loan expense	**1,583,101**	1,448,612
Other receivables and prepaid items	**218,592**	24,618
	$63,326,346	$54,601,389
Liabilities and Shareholders' Equity		
Liabilities:		
Mortgage notes payable and similar debt – Note D	**$42,784,261**	$38,321,927
Short-term notes payable to banks – Note E	**737,750**	900,000
Accounts payable and accrued expenses	**964,668**	685,605
Total Liabilities	**44,486,679**	39,907,532
Shareholders' Equity		
Shares of Beneficial Interest, $1.00 par value: Authorized – unlimited Issued and outstanding – 1,639,058 shares in 1981 and 1,284,058 shares in 1980	**1,639,058**	1,284,058
Capital in excess of par value	**14,204,832**	11,104,712
Undistributed net income – Note F	**2,995,777**	2,305,087
	18,839,667	14,693,857
Commitments – Note B		
	$63,326,346	$54,601,389

See notes to financial statements

Impact of Inflation and Changing Prices

Inflation is causing steadily higher interest rates on long-term financing. Lease terms have to be increased and this causes the Manager to be more selective choosing lessees. Eighty-eight percent of the Fund's invested assets are believed by the Manager to be profitably yet conservatively invested in direct financing leases. Adequate investment opportunities should be available in 1982 barring a significant increase in interest rates.

The other 12% of the Fund's invested assets are evidenced by construction mortgages. The Fund utilizes short-term borrowings to fund a portion of these construction loans until permanent financing is obtained. The interest expense on short-term borrowings is a function of the prime rate, hence the Fund experienced high interest costs during 1981. The Fund, however, passed this increased cost on to the borrower by tying interest on the construction loans to prime and adding a financing margin. Moreover, a significant amount of the Fund's equity, approximately $3 million on December 31, 1981, is employed to fund construction loans; loans so funded yield higher margin spreads as the prime rate rises.

Statements of Changes in Financial Position

	Year Ended December 31 1981	1980	1979
Sources of funds from operations, less distributions to shareholders and principal payments on mortgages:			
Net income for the year	**$ 2,974,876**	$ 2,125,343	$ 1,702,547
Cash distributions to shareholders	(2,284,186)	(1,466,471)	(1,195,594)
	690,690	658,872	506,953
Provision for losses	**350,243**	272,631	233,202
Amortization – deferred loan expense	**377,929**	245,824	121,594
Principal payments on mortgages and similar debt	**(997,666)**	(720,516)	(451,430)
Lease income in excess of cash received	**(235,332)**	(218,830)	(202,764)
Sources from Operations – Net	**185,864**	237,981	207,555
Other sources of funds:			
Decrease in construction loans receivable – net		1,010,140	512,186
Decrease in mortgage loans receivable – net		156,827	53,410
Decrease in funds held in escrow	**1,229,208**		1,138,822
Decrease in other receivables and prepaid items		81,338	
Proceeds from sale of shares	**3,532,250**	3,727,500	2,189,000
Mortgage and similar debt borrowings	**5,460,000**	14,550,000	6,160,000
Increase in accounts payable and accrued expenses	**279,063**	310,412	218,342
Proceeds from exercise of lease options, less mortgages on related properties			745,479
Total Other Sources of Funds	**10,500,521**	19,836,217	11,017,239
	10,686,385	20,074,198	11,224,794
Other dispositions of funds:			
Increase in funds held in escrow		3,177,283	
Investment in direct financing leases	**6,493,255**	15,399,969	9,894,758
Loan expense	**512,418**	1,072,826	277,253
Increase in other receivables and prepaid items	**193,974**		22,525
Increase in construction loans receivable – net	**3,179,759**		
Increase in mortgage loans receivable – net	**53,422**		
Decrease in short-term borrowings – net	**162,250**	325,000	1,150,000
Expenses relating to sale of shares	**77,130**	76,796	60,661
Total Other Dispositions of Funds	**10,672,208**	20,051,874	11,405,197
Increase (decrease) in cash	**14,177**	22,324	(180,403)
Cash balances at beginning of year	**217,860**	195,536	375,939
Cash Balances at End of Year	**$ 232,037**	$ 217,860	$ 195,536

( ) Denotes deduction

See notes to financial statements

Statements of Shareholders' Equity

	Shares of Beneficial Interest	Capital in Excess of Par Value	Undistributed Net Income	Total
Balances at January 1, 1979	$ 714,058	$ 5,895,669	$ 1,139,262	$ 7,748,989
Proceeds from sale of 220,000 shares	220,000	1,969,000		2,189,000
Expenses relating to issuance of shares		(60,661)		(60,661)
Net income for the year ended December 31, 1979			1,702,547	1,702,547
Cash dividends paid – $1.28 a share			(1,195,594)	(1,195,594)
Balances at December 31, 1979	**934,058**	**7,804,008**	**1,646,215**	**10,384,281**
Proceeds from sale of 350,000 shares	350,000	3,377,500		3,727,500
Expenses relating to issuance of shares		(76,796)		(76,796)
Net income for the year ended December 31, 1980			2,125,343	2,125,343
Cash dividends paid – $1.57 a share			(1,466,471)	(1,466,471)
Balances at December 31, 1980	**1,284,058**	**11,104,712**	**2,305,087**	**14,693,857**
Proceeds from sale of 355,000 shares	355,000	3,177,250		3,532,250
Expenses relating to issuance of shares		(77,130)		(77,130)
Net income for the year ended December 31, 1981			2,974,876	2,974,876
Cash dividends paid – $1.66 a share – Note F			(2,284,186)	(2,284,186)
Balances at December 31, 1981	**$ 1,639,058**	**$14,204,832**	**$2,995,777**	**$18,839,667**

Statements of Income

	Year Ended December 31 1981	1980	1979
Income – Notes G and H:			
Direct financing leases	**$6,678,489**	$4,646,836	$3,444,598
Interest and loan fees	**1,848,753**	1,597,918	928,672
	8,527,242	6,244,754	4,373,270
Expenses:			
Interest:			
Mortgages and similar debt	**4,083,006**	3,083,400	2,047,742
Short-term borrowings	**428,469**	343,271	161,327
Management fees – Note H	**333,303**	240,091	195,996
Provision for doubtful amounts	**153,462**	85,661	62,209
Loan expense	**377,929**	245,824	121,594
Other operating expenses	**176,197**	121,164	81,855
	5,552,366	4,119,411	2,670,723
Net Income	**$2,974,876**	$2,125,343	$1,702,547
Average number of shares outstanding	**1,345,332**	979,923	919,592
Net income per share	**$2.21**	$2.17	$1.85

( ) Denotes deduction
See notes to financial statements

Note C – Investment in Direct Financing Leases, continued.

At December 31, 1981, future minimum lease payments receivable under direct financing leases for the succeeding five years are as follows:

1982	$7,242,078
1983	7,378,587
1984	7,517,577
1985	7,656,567
1986	7,822,467

A summary of the activity relating to net investment in direct financing leases is as follows:	Year Ended December 31 1981	1980
Balances at beginning of year	**$45,245,586**	$29,899,418
Property interests acquired and accounted for by the direct financing method	**6,493,255**	15,399,969
Lease income in excess of cash received	**235,332**	218,830
Provision for losses	**(350,243)**	(272,631)
Balances at end of year	**$51,623,930**	$45,245,586

( ) Denotes deduction

Note D – Mortgage Notes Payable and Similar Debt

Substantially all properties owned and leased by the Fund are mortgaged. The following information relates to mortgage notes payable and similar debt:

	December 31 1981	1980
Mortgage loans, collateralized by 29 medical facilities, interest from 9¼% to 12½%, maturing at various dates to 2002	**$16,653,926**	$17,105,954
Notes payable related to industrial revenue bonds, collateralized by medical facilities – 18 in 1981 and 14 in 1980, interest from 8¼% to 15% in 1981 and 8¼% to 12½% in 1980, maturing at various dates to 2001	**20,065,133**	14,839,508
Debentures, general obligations of the Fund, interest from 11% to 12¾%, maturing at various dates to 1987	**2,401,000**	2,573,000
Total Long-Term Debt	**39,120,059**	34,518,462
Lease obligations under revenue bonds, collateralized by 4 medical facilities, with interest from 5¾% to 9½%, maturing at various dates to 2000	**3,664,202**	3,803,465
Totals	**$42,784,261**	$38,321,927

At December 31, 1981, the annual payments on long-term debt for the succeeding five years are as follows:

Year Ending December 31	Principal	Interest	Total
1982	$1,382,376	$4,390,089	$5,772,465
1983	1,482,694	4,249,949	5,732,643
1984	1,623,267	4,100,349	5,723,616
1985	2,561,740	3,934,430	6,496,170
1986	1,798,320	3,668,121	5,466,441

A summary of the activity relating to mortgage notes payable and similar debt is as follows:

	Year Ended December 31 1981	1980
Balances at beginning of year	**$38,321,927**	$24,492,443
Additional borrowings	**5,460,000**	14,550,000
Principal payments (deductions)	**(997,666)**	(720,516)
Balances at end of year	**$42,784,261**	$38,321,927

Notes to Financial Statements

Note A – Accounting Policies and Related Matters

Leases: Properties owned by the Fund are leased. The leases are accounted for by the direct financing method. The leases provide for payment of all taxes, insurance, and maintenance by the lessees. The leases are for a term of 20 years and most lessees have an option to purchase the properties after a period of five years. Option prices range from 100% to 121% of the Fund's original cost of the property. Income from direct financing leases is recorded based upon the implicit rate of interest over the lease term. This income is greater than the amount of cash received during the first half of the lease term. An allowance has been provided, in addition to the allowance for doubtful amounts, to reduce the net investment in direct financing leases to an amount not in excess of the respective option prices.

Allowance for Doubtful Amounts: An allowance for doubtful amounts has been established to provide for lease payments which may become uncollectible.

Deferred Loan Expenses: Deferred loan expenses are costs incurred in acquiring mortgages and issuing bonds, and are amortized by the straight-line method over the period from the beginning of the lease term to the earliest option exercise date.

Loan Fees: Loan fee income represents the "points" charged on construction loans receivable and is recognized over the respective periods that the construction loans are outstanding.

Income Tax: No provision has been made for federal income taxes since the Fund has elected to be treated as a real estate investment trust under the applicable provisions of the Internal Revenue Code, and the Fund believes that it has met the requirements for qualification as such for each taxable year. See Note F.

Net Income Per Share: Net income per share has been computed by dividing net income by the weighted daily average number of shares outstanding.

Note B – Construction Loans Receivable

The Fund makes short-term construction loans to a related party as medical facilities are being developed. If the Fund has not arranged permanent long-term financing, interest is charged at a rate 2% over the New York prime rate but not less than ¼% over the Fund's cost of borrowing after adjustment for compensating balances. If the Fund has arranged permanent long-term financing, interest is charged at a rate ¾% over the Fund's cost of such permanent financing. In addition to the interest described, the Fund receives loan fees (points) of 2% per annum of the principal amount of the loans.

A summary of the activity relating to construction loans receivable and other information are summarized below:

	Year Ended December 31	
	1981	**1980**
Balances at beginning of year	**$ 3,943,685**	$ 4,953,825
Additional loans	**8,803,055**	10,281,468
Principal payments (deductions)	**(5,623,296)**	(11,291,608)
Balances at end of year	**$ 7,123,444**	$ 3,943,685

	December 31	
	1981	**1980**
Total construction loan commitments:		
Dollars	**$10,911,900**	$10,398,790
Facilities	**10**	10
Construction loan commitments for which permanent financing has been arranged:		
Dollars	**$ 8,640,050**	$ 5,934,040
Facilities	7	6

Note C – Investment in Direct Financing Leases

The following are the components of the net investment in direct financing leases.

	December 31	
	1981	**1980**
Total minimum lease payments receivable – (1)	**$142,574,937**	$127,937,454
Estimated unguaranteed residual values of leased properties	**20,782,311**	18,462,433
Unearned income	**(110,459,551)**	(100,230,777)
Allowance to reduce certain leases to option prices	**(821,311)**	(624,530)
Allowance for doubtful amounts	**(452,456)**	(298,994)
Net investment in direct financing leases	**$ 51,623,930**	$ 45,245,586

(1) The leases contain an option to purchase the leased property. Total minimum lease payments are computed assuming that the option will not be exercised before the end of the lease term.

Report of Independent Auditors

Shareholders and Trustees
Health Care Fund
Lima, Ohio

We have examined the balance sheets of Health Care Fund as of December 31, 1981 and 1980, and the related statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Health Care Fund at December 31, 1981 and 1980, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Toledo, Ohio
February 12, 1982

Market and Distribution

The Fund's shares are traded over the counter under the symbol HCFDS and there were 2,295 shareholders of record as of December 31, 1981. In addition to dividends per share, the following table lists the bid prices of the Fund's shares as reported by NASDAQ. These quotations represent prices between dealers without adjustment for retail markup, markdown or commission and do not necessarily represent actual transactions.

	1981			1980		
	Bid Price			Bid Price		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$12.25	$11.00	$.40	$11.00	$ 9.50	$.37
2nd Quarter	12.50	11.25	.40	12.25	9.25	.40
3rd Quarter	13.00	10.75	.43	12.50	10.75	.40
4th Quarter	11.75	10.50	.43	11.75	10.50	.40

Note E – Short-Term Notes Payable

The notes payable to banks are borrowings under line of credit agreements with three banks aggregating $5,500,000. The average interest rate on these borrowings was 16.25% at December 31, 1981 (21.5% at December 31, 1980).

The following information relates to aggregate short-term debt:	Year Ended December 31 1981	1980
Maximum amount outstanding at any month-end	**$4,165,000**	$3,700,000
Average amount outstanding (total of daily principal balances divided by days in year)	**2,365,920**	2,273,880
Weighted average interest rate (actual interest expense on short-term debt divided by average short-term debt outstanding	**17.8%**	15.1%

In connection with these credit lines, the Fund maintains average compensating balances based upon bank ledger balances adjusted for uncollected funds equal to 15% of average short-term borrowings at two of the banks and an amount equal to 15% of debt outstanding or 10% of the line of credit at the remaining bank. The Fund maintains compensating balances in demand deposit accounts which also serve as minimum operating cash balances and as compensation to banks for their account handling functions and other services. The demand deposit accounts are not restricted as to withdrawal. Based upon outstanding borrowings for the year ended December 31, 1981, the Fund should have maintained average compensating balances of approximately $317,000 ($341,000 during 1980), which stated in terms of the Fund's book cash balances is approximately $237,000 ($235,000 during 1980). The difference is attributable to average uncollected funds and float. During 1981, the Fund maintained average book cash balances of approximately $273,000 ($175,000 during 1980).

Note F – Undistributed Net Income

The Fund reports its net income for federal income-tax purposes using the operating method of accounting for leases. In order to continue to qualify as a real estate investment trust for federal income-tax purposes, 95% of such net income must be distributed to shareholders. Undistributed net income for federal income-tax purposes amounted to $261,851 at December 31, 1980. Cash dividends paid to shareholders during 1981 exceeded net income for federal income-tax purposes for 1981 and previously undistributed net income, resulting in a non-taxable return of capital amounting to $152,888 or $.0933 a share for those shares outstanding on November 6, 1981 (record date). The principal reason for the difference between undistributed net income for federal income-tax purposes and financial-statement purposes is the use of different methods of accounting for leases.

Note G – Industry and Sources of Income

The Fund is predominantly engaged in the leasing and financing of medical properties in domestic markets. Income of an amount greater than ten percent of total income was derived from one borrower. The borrower, a related party, provided $1,402,827, $1,321,527, and $815,288 or interest and loan fee income in 1981, 1980, and 1979, respectively.

Note H – Management Agreement and Transactions with Related Parties

The Fund has entered into a Management Agreement with First Toledo Corporation (the "Manager"). F.D. Wolfe and B.G. Thompson, two of the Fund's eight trustees, are officers and co-owners of the Manager. The Fund accrues a fee to the Manager at a monthly rate of 1/10 of 1% of the Fund's net assets, as defined in the Management Agreement. Further, the Manager is entitled to an annual incentive fee equal to 10% of the amount by which net profits exceed 10% of the monthly average net worth of the Fund. Incentive fees of $153,101, $113,265, and $80,328 were accrued in 1981, 1980, and 1979, respectively.

In addition, Messrs. Wolfe and Thompson are related to various companies: a) from which the Fund has purchased medical properties totaling $6,493,255 and $15,399,969 in 1981 and 1980, respectively, and has accounted for such purchases under the direct financing lease method (see Note C); b) to which the Fund has made construction loans yielding interest and loan fee income (see Notes B and G); and c) to which the Fund has leased a medical property providing $100,197, $100,328, and $100,212 of direct financing lease income in 1981, 1980, and 1979, respectively. In accordance with the Declaration of Trust under which the Fund was created, such transactions were approved by a majority of independent trustees.

Directory

Trustees

Bruce G. Thompson
Chairman of the Board
President
Health Care Fund
Lima, Ohio

Frederic D. Wolfe
President
Wolfe Industries, Inc.
Lima, Ohio

Gregory G. Alexander
Attorney at Law
Toledo, Ohio

Russell R. Berman
President
Ohio Citizens Bank
Toledo, Ohio

Bruce Douglas
President
The Douglas Company
Toledo, Ohio

L. Eugene Duff
President
Duff Truck Line, Inc.
Lima, Ohio

Richard A. Glowacki
President
The Danberry Company
Toledo, Ohio

Richard A. Unverferth
President
Unverferth Manufacturing
Company, Inc.
Kalida, Ohio

Officers

Bruce G. Thompson
President and Chief
Executive Officer

Frederic D. Wolfe
Secretary

Committees of the Board

Audit
Gregory G. Alexander
Russell R. Berman
Richard C. Glowacki

Executive
L. Eugene Duff
Bruce G. Thompson
Richard A. Unverferth
Frederic D. Wolfe

Nominating
Gregory G. Alexander
Russell R. Berman
L. Eugene Duff

Planning
All Trustees

Independent Auditors

Ernst & Whinney
1900 Toledo Trust Building
Toledo, Ohio 43604

General Offices

Health Care Fund
1865 North McCullough
Street
Lima, Ohio 45801

Investment Advisor

First Toledo Corporation
P.O. Drawer C
Lima, Ohio 45802

Legal Counsel

**Shumaker, Loop
and Kendrick**
North Courthouse Square
1000 Jackson Street
Toledo, Ohio 43624

Transfer Agent

Ohio Citizens Bank
One Levis Square
Toledo, Ohio 43613

NASDAQ Trading Symbol:
HCFDS

Trustees

The Fund's Board of Trustees is composed of entrepreneurs and real estate professionals, each successful in his own right. The credentials of each Health Care Fund Trustee are indicated below. Trustees are elected annually by the shareholders. Meetings of the full board are held quarterly. Special meetings of various committees are held when required.

Bruce G. Thompson
Chairman of the Board and President, Health Care Fund
Secretary and Director, Wolfe Industries, Inc. and subsidiary companies
Vice President, Secretary and Director, Health Care and Retirement Corporation of America
Vice President and Director, First Toledo Corporation (Manager of Health Care Fund), Lima, Ohio
Director, The Douglas Company, Toledo, Ohio

Frederic D. Wolfe
Secretary, Health Care Fund
Chairman of the Board and President, Wolfe Industries, Inc. and subsidiary companies
Chairman of the Board and Chief Executive Officer, Health Care and Retirement Corporation of America
President and Director, First Toledo Corporation (Manager of Health Care Fund)
Director, Tower National Bank, Lima, Ohio
Director, Ohio Plate Glass Company, Toledo, Ohio

Gregory G. Alexander
Attorney at Law
Toledo, Ohio

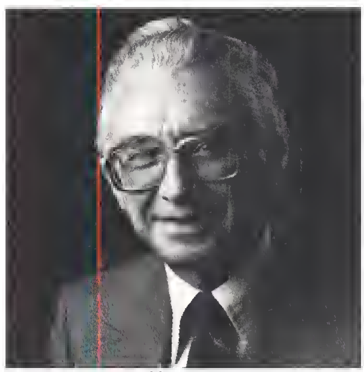

Bruce G. Thompson


Frederic D. Wolfe


Gregory G. Alexander


Russell R. Berman


Bruce Douglas


L. Eugene Duff


Richard C. Glowacki


Richard A. Unverferth

Russell R. Berman
President and Director, Ohio Citizens Bank
Director, Sports Arena Company, Toledo, Ohio

Bruce Douglas
President, The Douglas Company, Toledo, Ohio
Director, German Village Products, Inc., Wauseon, Ohio
Trustee, Medical College of Ohio Foundation, Toledo, Ohio

L. Eugene Duff
President, Duff Truck Lines, Inc. and subsidiary companies
Director, Citizens Loan & Building Company
Director, Tower National Bank, Lima, Ohio
Chairman of the Board, Farmers Banking Company, Lakeview, Ohio
Area Vice President and Director, Ohio Chamber of Commerce

Richard C. Glowacki
President, The Danberry Company
President, The Danberry Insurance Agency, Inc.
President, The Danberry Construction Co.
Partner, Brenton Building Co., Toledo, Ohio
Vice President, State of Ohio Board of Education

Richard A. Unverferth
President and Director, Unverferth Manufacturing Company, Inc. and subsidiary companies
President and Director, McCurdy Manufacturing Company, Kalida, Ohio
President and Director, H.C.F., Inc. and various subsidiaries (nursing home management)
Director, Tower National Bank, Lima, Ohio

Health Care Fund

1865 North McCullough Street, Lima, Ohio 45801